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NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

**FIVE YEARS OF CHINESE WORLD TRADE
ORGANIZATION NEGOTIATIONS AND THE IMPACT
ON DOMESTIC MARKET LIBERALIZATION**

by

Lance Allen Taylor

March 2009

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**FIVE YEARS OF CHINESE WORLD TRADE ORGANIZATION
NEGOTIATIONS AND THE IMPACT ON DOMESTIC AGRICULTURE
MARKET LIBERALIZATION**

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

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Since 2003, China met WTO obligations early and was not prepared to further lower market access barriers. In negotiations, the sticking point was and continues to be developed members' large domestic supports, subsidies, and special benefits. Statements also point to a emerging developing nations' alliance which support China and India. With this support, the G-20 will continue to act as the developing world's negotiator. The opportunity exists for these members to form a trade bloc to control developed member market distortions. This could adversely affect United States farmers as they face higher tariffs and decreased market access abroad.

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LIST OF ABBREVIATIONS, ACRONYMS, DEFINITIONS

ACP	African, Caribbean and Pacific Group of States (See Appendix B).
Amber Box	See Domestic Supports.
AMS	Aggregate Measure of Support. All Amber Box classified monies are totaled and then divided by the total value of a country's agriculture production. Developed nations are capped at 5% of agriculture production; developing nations are capped at 10%.
Blue Box	See Domestic Supports.
C-4	Cotton-4 (See Appendix B).
CARICOM	Caribbean Community and Common Market (See Appendix B).
DDA	Doha Development Agenda. Also known as the Doha Round, is the set of agriculture negotiations that commenced in Doha, Qatar in 2001; as the successor of the Uruguay Round. This round of negotiations is supposed to focus on developing nations and aid them in competing in the global market place.
Doha Mandate	The Ministerial Declaration from the November 2001 negotiations in Doha, Qatar. This mandate called for the resolution of trade problems for agriculture in the areas of Market Access, Export Subsidization, and Domestic Supports. These three areas of focus would become known as the three pillars of the agriculture negotiations.
Domestic Supports	Third pillar of agriculture negotiations, derived from the Doha Mandate. This pillar examines all monies budgeted towards agriculture in a given year and classifies the amounts according to trade distorting affects. The WTO has developed a colored box classification system to classify these monies.
——— Amber Box	Domestic Supports to agriculture that are either funded through price increases or distort the price of a commodity. Developed nations are capped at 5% of total agriculture production; developing nations are capped at 10%.
——— Blue Box	Domestic Supports that set farmland aside or pay farmers not to produce certain products.

———— Green Box	Domestic Supports that do not distort trade and are not funded through price increases.
Export Subsidies	Second pillar of agriculture negotiations, derived from the Doha Mandate. It deals directly with the trade distortions caused by governments paying their farmers to sell their product to the world market at a price below what it would actually cost that farmer to produce and sell it. Some rebate is allowed to compensate for transportation costs and administrative expenses.
FAO	Food and Agriculture Organization of the United Nations.
FAS	Foreign Agriculture Service of the USDA.
G-20	Group of 20 (See Appendix B).
G-33	Group of 33 (See Appendix B).
G-90	Group of 90 (See Appendix B).
GATT	General Agreement on Tariffs and Trade. Trade organization formed in 1946, mainly in reaction to the formation of the Soviet Union.
Green Box	See Domestic Supports.
Hectare	Unit of land measurement, 100 meters by 100 meters square. One hectare is equal to 2.471 acres.
LDC	Least Developed Countries (See Appendix B).
Market Access	First pillar of agriculture negotiations, derived from the Doha Mandate. This area of negotiations focuses on controls that inhibit foreign competitors in domestic markets. Import tariff amounts, and the Tariff Rate Quota system are all negotiated under this pillar.
Modality	In this case, the formulas that will be used to determine tariff reductions in agriculture.
NAMA-11 Non-Agriculture	Market Access group (See Appendix B).
NPC	National People's Congress, China's main government entity.

NTB	Non-Tariff Barrier. A domestic policy, procedure, or mechanism that artificially raises the price of an imported good, or bans it. Sanitary measures can fall into this category. Genetically Modified Organism bans could also be considered for inclusion into this category.
RAM	Recently Acceded Members (See Appendix B).
S&D	Special and Differential products. Products that have been highlighted as requiring additional protections because of ties to food security, well being, and poverty elimination. Tariffs and safeguards on these products are negotiated separately from other traded commodities. These are country specific.
SCC	WTO Committee on Agriculture - Subcommittee on Cotton. Formed in 2004, this sub-committee was created to separate the issue of cotton from other agriculture negotiations. Cotton has very specific industrial issues that do not affect food security so it was segregated from the greater Doha Agenda considering agriculture.
SSG	Special Safeguard. Developed during the Uruguay Round, it is a higher set of duties that are applied to imports on a product when the import volume rises above a certain level, whether or not serious damage is done to that products domestic market. Only members who transitioned to the overarching tariff system called for in the Uruguay round were eligible and only products that received a tariff at that time could qualify for protection.
SSM	Special Safeguard Mechanism. The new SSG called for by various WTO members. The intent is to provide developing nations special products with additional tariff protections to encourage these members to generally lower all tariffs. Some members have also called for the concurrent elimination of the existing SSG system for it gives unfair advantage to developed members' agriculture markets.
SVE	Small and Vulnerable Economies (See Appendix B).
TPR	Trade Policy Review. WTO procedure to fully examine a member's commitment to WTO agreements. It involves a formal written question and written response period and a series of member notifications to the WTO governing body. China has been subject to a TPR in 2006 and 2008.

TRM	Transitional Review Mechanism. China is required to undergo eight reviews between 2002 and 2010, where China provides reports to the larger WTO in a series of areas. It was specifically implemented for China, as its market was undergoing dramatic system changes at accession and WTO members felt an additional procedure needed to be implemented to track China's continued progress.
TRQ	Tariff Rate Quota. A system of domestic market protection that provides limited access for foreign sellers. A volume of a product is generated based on a low percentage of total sales of a domestic market in that product. That volume is assigned a competitive tariff (the in-tariff rate) for imports up to that volume. Once the quota has been reached (filled), subsequent imports are assigned a significantly higher tariff (out-tariff rate) not to exceed the upper bound limits placed by WTO membership.
USDA	United States Department of Agriculture.
WASDE	World Agriculture Supply and Demand Estimate published monthly by the USDA.
WTO	World Trade Organization. Formed in 1995 after the signature of the Marrakesh Accord in 1994.
Yuan	People's Republic of China note of currency. Yuan 6.83 is equivalent to \$1.00 United States Dollar. Yuan 1.00 is equivalent to \$0.1465 on New York Currency Exchange on 9 March 2009.

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I. INTRODUCTION

A nation has two options available to feed its people. It can grow food domestically, or obtain it internationally through trade and farmland acquisition abroad. This simple observation has larger implications when looking at a country and how it interacts with the international market. The People's Republic of China (PRC) under Mao Zedong pursued a food policy that emphasized food self-sufficiency, as evidenced in the Great Leap Forward (GLF) and subsequent state grain procurement quotas. After 1978, reforms under Deng Xiaoping exposed China to the world market, though state grain quotas and other price control measures remained. Was Beijing ready to shift from state control of domestic production and use the market to feed its people?

It appeared so. Following lengthy negotiations, China successfully joined the World Trade Organization (WTO) in December 2001, and continued to liberalize trade and open its markets to the world by eliminating non-trade barriers (NTB) and reducing tariffs. After joining, Beijing completely supported the WTO initiative to separate agriculture into its own series of negotiations to proceed in parallel with negotiations in the other trade areas. In a short two year period, the trade and domestic reforms implemented to support WTO commitments showed positive effects in China and continued the 1979 reforms initiated by Deng.

But during ministerial negotiations in Cancun, Mexico, in 2003, agricultural negotiations stalled, not restarting again until August 2004. There were too many divergent issues and views, and China, as one of the largest agriculture players, could potentially be adversely affected if more developed countries did not have to reduce domestic supports and export subsidies. Would China back away from liberalization and move towards protectionism? How would Beijing react to stalemates in negotiations? Specifically, what do agricultural trade data and Beijing's stance in agricultural negotiations since 2004 reveal, with regard to the question of whether China is continuing agricultural liberalization or retreating towards protectionism?

A. MARKET LIBERALIZATION PATHS

Beijing had two major options to consider when the agriculture talks collapsed in Cancun, Mexico, in 2003. It could continue along its path of trade liberalization and agriculture reform and open its markets to the world through elimination of trade barriers and reduction of tariffs. Or it could retrench its position and adopt a belligerent stance in negotiations, using the argument that it had made major concessions just to enter the WTO; because it had made the concessions, it was time for the developed countries to reciprocate. It could then delay further negotiations and adopt a protectionist behavior. Continued liberalization or protectionist retrenchment were the two major policy options it could adopt and then support such policy in future negotiations.

If China continued liberalization, then domestic agricultural policies and land use should change as China procured more land intensive foodstuffs from the world market. Trade policy should encourage acquisition of food from the world marketplace. In commodities where there is low domestic capacity—such as sugar—imports should surge. World food exporters and importers alike would need to prepare for the effects on demand by China's entrance to the WTO and by the increased wealth of Chinese consumers.

Conversely, if China reinforced its attempts at domestic food protection, such changes would also be reflected in international negotiations, trade policy and domestic land use. Contrary to the idea of relying on the market for food supply, such changes could indicate Beijing's reliance on protectionism for food security, contrary to the spirit of WTO. The PRC and the Chinese Communist party (CCP) under Mao had a long and colorful tradition pursuing such a goal, with limited successes and tragic results.

Tracing Beijing's position since 2004 will reveal whether Beijing has been consistent in its agricultural trade policy and whether its policy is geared towards protectionism or the free market. Examining WTO negotiations, ministerial statements, and trade data may indicate the degree to which Beijing is legitimately adopting WTO requirements to encourage free trade and integrate with the agricultural world market.

B. *ROOTS OF COMPETITIVENESS: FRAMEWORK FOR ANALYSIS*

The main method and structure for this thesis was inspired by the 2004 co-authored analysis by D. Rosen, S. Rozelle, and J. Huang, *Roots of Competitiveness: China's Evolving Agricultural Interests*. It evaluated Chinese market liberalization, agriculture negotiations and their trends through 2004. The report provided an excellent background to the Chinese position through the Cancun agriculture negotiations stalemate in 2003. It is well worth updating the areas identified by the authors to determine market trends. It is also worth examining the various predictions the authors made regarding agriculture, and assessing whether these predictions held true based on the update of the market indicators used by the authors.

C. **THESIS OVERVIEW**

This thesis is organized in several chapters. This first chapter has introduced the question: Can agricultural trade data and Beijing's stances in agricultural negotiations since 2004 reveal if it continues agricultural liberalization or is retreating towards protectionism? The second chapter of the thesis provides background to Chinese market liberalization. It also provides a historic overview of past world negotiations, briefly discusses pertinent issues that must be kept in mind during the study of China's market, and provides a comprehensive literature review.

Chapter III of the thesis reviews the co-authored study and presents its various domestic arguments and data points through 2004. Each indicator is updated and a preliminary assessment of the trend observed is provided. Chapter IV provides a similar handling of Chinese agriculture negotiations as presented in the Rosen et al. study. It discusses the observed trends, presents updated information, and evaluates whether the trend supports liberalization or is a retrenchment to protectionism.

In Chapter V, the thesis draws a basic conclusion of whether China is sliding back to protection or continues along its path of trade liberalization and reform. It provides a basic assessment on why China reacted as it did in July 2008, and the implications of the updated market liberalization trends.

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II. BACKGROUND OF CHINESE AGRICULTURE AND THE MARKET

Before evaluating Chinese market liberalization, it is helpful to look at the background of Chinese accession into the WTO and its participation in agriculture negotiations, discuss some of the pertinent issues of the Chinese agriculture market, and review what has been written before. Lastly, it will be helpful to briefly cover the entire Rosen et al. study, looking beyond trends and indicators.

A. HISTORY OF PRC AGRICULTURE NEGOTIATIONS

In 1986, Beijing commenced negotiations to assume membership in the international General Agreement on Tariffs and Trade (GATT) organization, fifteen years after formal membership to the United Nations. The GATT seat was initially held by the Republic of China (ROC), as one of the 1947 founders of GATT, but withdrew in 1950 following the ROC defeat on the mainland by PRC forces. Beijing preferred to resume the GATT membership vacated by the ROC, but the United States and the European Economic Community wanted Beijing to apply as a new member.

Following fifteen years of trade negotiations with the United States and all other members, the PRC joined the World Trade Organization (WTO), GATT's successor, in December 2001. It agreed to remove many non-trade barriers and lower import tariffs. These steps implied that Beijing was prepared to continue along the path of trade reform toward liberalization and continued to move away from the non-market economy that dominated prior to 1978. Beijing negotiators agreed to large import tariff cuts and elimination of many non-trade barriers, all geared to lower import prices into China. In return, Beijing no longer had to deal with the yearly trade talks with its major trading partners which were often influenced by political and other non-trade related issues and generated uncertainty every year as to what the level of trade would be.

At the same time as Beijing made a bid to rejoin GATT, GATT members participated in a series of talks, from 1982-1994, to resolve emergent issues that were either not covered in the original GATT agreement or amend the 1947 agreement. The

world's largest trade talks commenced in 1982 and had a four-year completion target. The talks continued to stall around agriculture. In 1986, after failing to generate an agreement, the GATT members came together again in Punta del Estes, Uruguay, and began another round of talks focused on the GATT system itself and items not covered in GATT—intellectual property, the trade of services, subsidies, and the more standard issues of agriculture and the textile trade. The 1990 ministers' meeting in Brussels, which was supposed to end the negotiations, did not produce an agreement. Agriculture was the sticking point. The round continued and only after the United States, the European Union, Japan, and Canada came to a consensus on some issues was the trade round concluded. The Marrakesh Agreement was signed in Morocco in April 1994. Agriculture issues had been tabled and it was agreed in 1994 to resume agriculture negotiations at a later date. The Marrakesh Agreement updated the 1947 GATT document and on 1 January 1995, GATT transitioned to become the World Trade Organization (WTO).

China was dealing with accession negotiations in the midst of these larger negotiations which explained why its accession agreement contained larger tariff cuts and stipulations than previous countries' commitments. It also was not allowed the same price-distorting protection clauses that had been acceptable under GATT. Such distortions had not been eliminated by the latest rounds of trade talks, but no party involved desired to grant China the same distortion allowances. Agriculture trade talks commenced in November 2001 at the Doha Ministerial Conference, with a goal to finish in 2005. China joined the WTO in December 2001, and immediately participated in the agriculture talks, which had been named the Doha Development Agenda (DDA).

In 2003, talks resumed in Cancun, Mexico, but collapsed after only four days of negotiations. A South Korean minister committed suicide in protest of the developed nations' agriculture subsidies which highlighted the emotion of the round. The G-20 trading bloc emerged during this round of negotiations as well, with the PRC, India, Brazil, and South Africa joining together with other developing nations in an international forum. Talks recommenced in Geneva in 2004, with an agreement to achieve a framework for an agreement. In November 2004, a Cotton Sub-Committee

(SCC) was formed to separate cotton from other agriculture issues, because cotton was used in textile production and not as a food source. It had separate issues attached to it that would delay other agriculture negotiations so it was broken out of the general DDA talks. Little new progress was made at Paris in 2005. World ministers met in Hong Kong in December 2005, as the deadline approached to conclude talks. No agreement was made but the deadline was extended to 2006. Ministers again met in Geneva in July 2006, but talks again collapsed. The major sticking point remained developed nations' massive domestic supports compared to the small developing nations' subsistence markets. Ministers met again in Potsdam in 2007 to try and reach an agreement before President Bush's trade authority granted by the U.S. Trade Act of 2002 expired. Domestic supports and subsidies continued to hamper any agreement. The United States 2008 Farm Bill included huge domestic supports and subsidies, and the European Union continued its massive supports as well while a food crisis gripped the developing world from rises in the cost of fuel and other production factors.¹

In July 2008, amidst spiraling food prices, a collapsing financial system, and market chaos, ministers met in Geneva to try to come to an accord. Once again, subsidies, domestic supports, and now special safeguard mechanisms that developed countries had to help weather such trade crises all were sticking points in the negotiations. China openly sided with India on all issues and the talks collapsed. Having weathered four years of stalled and collapsed negotiations, would China continue to liberalize in the face of a chaotic system?

B. ISSUES SURROUNDING STUDYING AGRICULTURE POLICY

Many issues surround the study of Chinese agriculture and are present in negotiations. Such issues must at least be considered when looking at the trade data of food stuffs flowing in and out of China and when reading the minister's statements.

Food policy changes may be confused with larger transition issues. Barry Naughton laid out China's dual problem of transition from an agricultural to industrial

¹ A complete background of GATT / WTO negotiations, issues, and locations can be found on the WTO website at www.wto.org. The site provided an in depth look at all the various meetings and discussed the relevant issues of the day.

society while it is at the same time moving from a command economy to one based on market principles.² Such transition issues have side effects in agriculture. With a dual transition occurring in China, it will be important to consider whether a change follows from predictable progress in industrial development and the switch from command to market economy, or whether it is a consequence of implementing Beijing's negotiated agreements for entrance to the WTO.

Looking at the negotiations also brings about its own set of issues regarding China. China had just completed accession negotiations when the agriculture round began. Beijing's initial silence in the opening rounds should not be attributed to lack of interest but more towards negotiations fatigue—something that various agriculture chairmen will attribute collapsed or unproductive agriculture talks to later. It must also be considered that Chinese central decision making inhibits ministerial representatives from diverting from previously agreed stances without going back to Beijing for guidance. So any negotiation has to survive not only the informal agriculture meetings and formal negotiations rounds but also has to be processed through the Chinese bureaucracy. Fatigue and bureaucracy are both slowing the process down.

C. LITERATURE REVIEW

In 1978, Deng Xiaoping unlocked the door to Chinese markets as one measure to reverse the damages done to China by Mao's policies of self-sufficiency in his quest for autarky. Since then, China has imported and exported various amounts of food and fertilizer. Comparing the export numbers of grain and vegetables with the import of fertilizer and dairy products does not clearly indicate a pattern to determine Chinese food policy. The negotiations surrounding China's application to join GATT and the WTO

² Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge: Massachusetts Institute of Technology Press, 2007), 5-6.

and then negotiations at the various WTO trade rounds provide an opportunity to perhaps discern what China's food policy goals are today and how Beijing could respond to a future crisis.

Prior to any such hypothesis, one must first understand the literature dealing with topics influencing food policy analysis and WTO effects. The first literature topic compares theories of economic efficiency through comparative advantage with those on food security through domestic production. The next topic looks at how Beijing's overall economic goals can impact investment in agriculture. Additionally, much has been written about WTO membership and it is useful to understand the arguments for and against Chinese involvement and the effects membership could have on food policy. Finally, it is necessary to identify key agriculture economists' opinions on food security and agriculture and identify the main sources of data primarily used for agricultural analysis. It is useful to note food policy is a topic often included inside larger works on the Chinese economy, books on social stability, or publications dealing with Chinese strategic goals rather than as a stand alone product.

Beijing's food security policy seems to revolve around the dilemma between the question of economic efficiency versus domestic self-sufficiency. Trade theories solved the problem of food efficiency (the most efficient use of resources to feed its own people), without considering food security (the assurance of food supply in the event of market failure). This consideration has implications in any nation's need to feed its people in its quest for food security, for economists often recommend options that would most likely increase a nation's efficiency. The emphasis on efficiency is heavily influenced by the economic theorists, who believed that the most efficient allocation of resources should be based on a nation's comparative advantage.

British political economist Adam Smith (1776) attacked the British policy of mercantilism in *An Inquiry into the Nature and Causes of the Wealth of Nations*. Smith focused on markets and their ability to meet the needs of buyers and sellers. British economist David Ricardo (1817) built upon Smith's theory of trade and the importance of labor in *Principles of Political Economy and Taxation*. He introduced the idea of

comparative advantage: that a nation should export those goods it had in abundance and could produce cheaply and import those that it lacked or could not manufacture cheaply.

Comparative advantage theory is important to understand because the basic idea of comparative advantage heavily influences neoclassical economists' recommendations. Neoclassical economists recommend China stop producing land intensive low labor crops like corn, wheat, and cattle and instead produce low land but labor intensive crops like rice and vegetables. Based on the premise of optimization of resources and profit to achieve efficiency supported by free trade, neoclassical economists recommend Chinese policy-makers rely on the world markets to import land-intensive agricultural products to meet China's needs. Kenneth Lieberthal (2004) summarized the effect of this option this way: "Foreign access to China's agricultural markets should also force changes in crops grown so that China takes greater advantage of its comparative advantages in labor-intensive cultivation and puts less emphasis on land intensive grains."³ But this theory and its proponents disregard national security and self-sufficiency.

Opposite to the efficiency theories, food supply problems and food security were also debated by another 18th century economist. Thomas Malthus (1798) put forward the idea that food supplies could not possibly keep up with population growth rate in *Essay on the Principals of Population*. He rejected the idea that free trade could solve a nation's food supply requirements. Food security was assured domestically, not through trade for in war and famine; each nation would look after its own desires and manipulate the market accordingly. Malthus's ideas combined with free trade arguments have other economists taking up Malthus's alarmist argument again, considering China's potential impact on world food supply.

Lester Brown is a modern-day Malthusian. Brown (1995) argued that "the world is now on a demographic and economic path that is environmentally unsustainable."⁴ That thought permeated his book, and continued in a paper, "Beyond Malthus: Sixteen

³ Kenneth Lieberthal, *Governing China From Revolution Through Reform, 2nd Edition* (New York: W.W. Norton & Company, Inc., 2004), 271.

⁴ Lester Brown, *Who Will Feed China: Wake Up Call for a Small Planet* (New York: W.W. Norton & Company, Inc., 1995), 19.

Dimensions of the Population Problem,” to build on the theory that for demographic reasons, China’s domestic food demand would overtax world supplies.⁵

The Organization for Economic Cooperation and Development (OECD) acts as a counter-balance to Brown and the Worldwatch Institute. Supported by such economists as Justin Yifu Lin, Jikun Huang and Scott Rozelle, the OECD in 1996 published a collection of essays *China in the 21st Century: Long-term Global Implications*. The predicted impact on world food supplies by China was much less grim than Brown’s Malthusian stance; “it appears that China will neither empty the world grain markets, nor become a major grain exporter [and China] will most likely determine whether the production-demand gap turns into a major agricultural crisis, or whether it will become an opportunity to develop the nation’s food economy.”⁶ OECD economists see that technological advance and improvements in efficiency will feed both China and the world.

Is China’s food policy influenced by comparative advantage or by finite food supply theories? Are Chinese policy-makers aware of these debates and embrace some economic ideas over others? Dali Yang (1996) provides one possible answer to the question. He focused on the role the GLF famine played on senior policy-makers. Published in the same period as Brown’s book and the OECD report, it sheds some light on the way the Chinese government approached food security issues. Yang cited Chinese survey figures provided by Vice Minister of Agriculture Ma Zhongchen (served from 1990-1992) that highlighted a dramatic increase in population and decrease in farmland from 1952-1990.⁷ This knowledge indicated, contrary to Brown’s claim, China leadership had put in place institutions to closely monitor food production prior to 1995. Unfortunately, Yang’s book does not provide an answer to what Chinese policy goals were or how Chinese leaders felt about relying on the market place to feed their people.

⁵ Lester Brown et al., “Beyond Malthus: Sixteen Dimensions of the Population Problem,” Worldwatch Institute (1998), <http://www.worldwatch.org/system/files/EWP143.pdf> (accessed September 2008).

⁶ Organization for Economic Cooperation and Development, *China in the 21st Century: Long-term Global Implications* (France: OECD, 1996), 86.

⁷ Dali Yang, *Calamity and Reform in China* (Stanford: Stanford University Press, 1996), 247.

A vast amount of literature has been written on the economic goals of China, and there is near unanimity amongst economists, social scientists, and political analysts that China's government is focused primarily on maintaining economic expansion and growth. Nicholas Lardy (2002) expressed this argument best: "Although China's leaders have hotly debated many of the details of economic reform, the view that economic growth is the sine qua non for retaining political power seems almost unanimous."⁸ Bruce Dickson (2003) highlighted how far the government could go when he referenced Jiang Zemin's 2001 proposal to allow private businessmen into the CCP. He wrote "since the key task of the party for more than two decades had been promoting economic growth, [private entrepreneur membership] seemed like an eminently logical proposal."⁹ For the party secretary to even suggest such a thing indicated how deeply the need for continued economic success influenced the Chinese government. Even the National People's Congress (NPC) "Report on the Implementations of the 2007 Plan for National Economic and Social Development and on the 2008 Draft Plan for National Economic and Social Development" released in March of 2008 placed maintenance of "the good trend of steady and fast economic development" as the number one goal in 2008.¹⁰

How should agricultural policy support this goal? As discussed previously, neoclassical economists insist that China focus on labor- intensive agricultural production in order to achieve efficiency, instead of continuing to protect land for land- intensive food production (for the purpose of achieving food self-sufficiency. But again this neoclassical economic argument does not triumph over China's ideological concern for food security.

Has the Maoist ideological legacy of self-sufficiency been replaced by the market in Beijing's food policy? Bruce Reynolds suggested that perhaps market preferences gained dominance in food policy. Reynolds (1984) wrote that

⁸ Nicholas Lardy, *Integrating China into the World Economy* (Washington: Brookings Institution Press, 2002), 11.

⁹ Bruce Dickson, *Red Capitalists in China* (New York: Cambridge University Press, 2003), 1.

¹⁰ National People's Congress, "Report on the Implementations of the 2007 Plan for National Economic and Social Development and on the 2008 Draft Plan for National Economic and Social Development" (2008), http://news.xinhuanet.com/english/2008-03/20/content_7827893.htm (accessed July 2008).

...official policy still stresses the ideological desirability of self-reliance and the strategic dangers of excessive grain imports. But China's [grain import] practice does not appear to differ markedly from that of any other land-scarce less developed country. If anything, China's level of grain imports seems distinctly higher.¹¹

Conversely, China's 1996 white paper on the grain issue, probably written in response to Brown's book, is laced with ideological statements of self-sufficiency.¹² So has Beijing shifted grain policy since then and is that reflected in China's WTO trade negotiations stance regarding agriculture and food grain?

Additional literature explores the pros and cons of Chinese accession into the WTO. Nicholas Lardy (2002) provided the most supportive argument for WTO entry. He identified the likely institutional changes through efficiency gains and structural reforms that would continue to support Chinese economic growth. In 2006, he continued China WTO economic assessments for a larger web project entitled *China: the Balance Sheet*.¹³ In the project's flagship book, he stated "China's WTO commitments are further enhancing the role of the market, particularly in financial, distribution, and other services."¹⁴ He further explained the challenges facing the various economic institutions for continued reform. Additionally, he reinforced the comparative advantage theory and used it to show how China has *properly* adjusted some agricultural import/export inefficiencies without dealing at all with the policy or security implications.

Margaret Pearson's (2006) work on China and the WTO with regard to agriculture also mentions the ambiguity of Chinese negotiations and whether they fell

¹¹ Bruce Reynolds, "China in the International Community," in *China's Foreign Relations in the 1980's*, ed. Harry Harding (Yale: Yale University Press, 1984), 88.

¹² Information Office of the State Council Of the People's Republic of China, "The Grain Issue in China," (Beijing, October 1996), <http://www.china.org.cn/e-white/grainissue/index.htm> (accessed September 2008).

¹³ This is a joint project by the Center for Strategic and International Studies and The Peterson Institute for International Economics <http://www.chinabalancesheet.org/> (accessed August 2008).

¹⁴ Nicholas Lardy, "China's Domestic Transformation: Democratization or Disorder?" in *China: The Balance Sheet*, Fred Bergsten et al. (New York: PublicAffairs, 2006), 22.

into the food protectionist or free trade category.¹⁵ She views Beijing's entry into the WTO as a good thing for China and necessary from a Chinese foreign policy point of view to counter the other global powers. Economist Barry Naughton (2007) highlights Chinese economic gains created by access to commodities and foreign direct investment. He too draws on the premise of comparative advantage and argued that cheap labor determined China's direction of industrialization. Naughton highlights that China commenced farmer protections in 2003 and 2005, but does not speculate whether that is part of the government's attempts to raise rural income in order to maintain social stability, or because of self-sufficiency concerns.¹⁶

Andrew Nathan and Robert Ross (1997) together present two other theories regarding trade and joining the WTO. Their arguments considered the motivations for Chinese entry to the WTO. China looked to the WTO as a relief from having to renegotiate a most favored nation (MFN) clause with the United States every year and the uncertainty surrounding the outcome. This argument is also forwarded in Margaret Pearson's essay, throughout Nicholas Lardy's works, and mentioned as a significant motivation by Supachai Panitchpakdi and Mark Clifford's in 2002.¹⁷ Nathan and Ross took this argument one step further to point out two items. First, China was doing well with trade to the United States bilaterally; WTO membership would likely enlarge the trade deficit and potentially exacerbate tensions with the United States. Second, keeping such a large trader outside the WTO would adversely impact the WTO.¹⁸ (Perhaps the WTO needed China more than China needed the WTO?) Nathan and Ross further speculated that WTO membership had little to do with trade but was part of China's agenda to rise as a global power.¹⁹ This was also speculated by Robert Sutter in 2000,

¹⁵ Margaret Pearson, "Lessons from China's Early Years in the World Trade Organization," in *New Directions in the Study of China's Foreign Policy*, ed. Alastair Iain Johnston and Robert S. Ross (Stanford: Stanford University Press, 2006), 258-259.

¹⁶ Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge: Massachusetts Institute of Technology Press, 2007), 133-134.

¹⁷ Supachai Panitchpakdi and Mark L. Clifford, *China and the WTO: Changing China, Changing World Trade* (New York: John Wiley and Sons, Inc., 2002), 79-80; Pearson, 250.

¹⁸ Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress* (New York: W. W. Norton and Company, Inc., 1997), 164, 171-175.

¹⁹ Nathan and Ross, 134.

who wrote that China's WTO membership was part of its agenda to foster in a multi-polar world where the United States was no longer the sole power.²⁰

How would Chinese agriculture production be affected by WTO membership? Supachai Panitchpakdi and Mark Clifford's 2002 book provided the best general assessment of what could happen. They predicted urban migration would increase, with an increase in productivity in the manufacturing and service sectors. This increased migration would contribute directly toward the reduced number of workers available to agriculture as farming became more efficient.²¹ Naughton agreed with this prediction on increased migration and how it will lead to further urbanization.²² Kenneth Lieberthal (2004) provided additional predictions on which regions of China will best survive this urbanization trend (the poor west and rich east) and mentioned the increased strain such migration will place on social networks.²³ Douglas Zeng (2005) provided a counter argument. He saw the current land tenancy and industrial make-up of China as an inhibitor to migration and increased efficiency.²⁴

The effects of WTO accession on China's food production are partially covered by Barry Naughton and Loren Brandt who focused on farm protections and the gains to be made in agriculture. Naughton pointed out that the WTO agreement limited Beijing's ability to continue agricultural protectionism in the form of subsidies, artificial price increases, or tax breaks. He further argued that after two years of formal membership, China had already attempted to protect their farmers.²⁵ However, he did not speculate whether this was for protection from foreign competition or whether this was in response to rural poverty. Was it because of a food security policy or out of concern for rural

²⁰ Robert Sutter, *Chinese Policy Priorities and Their Implications for the United States* (Maryland: Rowman and Littlefield, 2000), 151.

²¹ Panitchpakdi and Clifford, 166.

²² Naughton, 126-131.

²³ Lieberthal, 271.

²⁴ Douglas Z. Zeng, "China's Employment Challenges and Strategies after the WTO Accession," World Bank Policy Research Working Paper, no. 3522 (February 2005), 11.

²⁵ Naughton, 133-134, 268-269.

unrest? Loren Brandt took a more optimistic position on the effect of WTO accession and argued potential gains in efficiency would result from foreign direct investment, technology import and technology transfer.²⁶

The final body of literature identifies agricultural production as a reflection of food security policy; particularly grain output, food consumption, and acreage of land in use for grain production since reform. Agricultural economists Scott Rozelle, Loren Brandt, and Lester Brown focus on what Naughton identified as the three agricultural inputs necessary to increase agricultural production: seed variety, fertilizer, and irrigation (water).²⁷ Naughton demonstrated the efficiency gains to be made from the transfer of technology in each of these inputs, thus technology is a crucial element in increasing the effectiveness of these inputs.²⁸ Any improvement in grain production should take into account arable land, farm labor, agricultural capital, seed, fertilizer, water, and technology. Any change in these factors must be evaluated for its positive or negative effect on agricultural output and its greater effects on China's food security policy. Social stability, political instability, or climate change in the rest of the world can also affect China's food security.

Factors contributing to agricultural production instability are also easily identifiable. Z. Y. Zhou and G. Wan (2007) agreed with Malthus's population and supply factors, adding unstable and unpredictable world markets as the third main source of insecurity.²⁹ Dali L. Yang added weak agricultural foundations and low access to resources to this list.³⁰ Economist Loren Brandt (1997) focused on population growth and the stresses industrialization placed on agriculture.³¹ Lester Brown better defined this industrialization stress as rapid industrialization leading to a loss of cropland

²⁶ Loren Brandt, "Reflections on China's Late 19th and Early 20th Century Economy," *The China Quarterly* no. 150 (June 1997), 285.

²⁷ Naughton, 35.

²⁸ Naughton, 256.

²⁹ Z. Y. Zhou and G. Wan, "The Public Distribution Systems of Foodgrains and Implications for Food Security," in *Food Insecurity, Vulnerability and Human Rights Failure*, ed. Basudeb Guha-Khasnobis, Shabd S. Acharya and Benjamin Davis (Palgrave MacMillan: UN University, 2007), 106.

³⁰ Yang, 247.

³¹ Brandt, 283.

concurrent with the rise in income of urban residents and increased consumption.³² With these main works considered, the factors that contribute to instability and must be taken into account regarding domestic food security include: population growth, farmland loss due to industrialization competition, unpredictable world markets, weak farming institutions, low access to capital, and the increased demand for food caused by the rise in urban incomes.

Finally, it is important to identify the key databases used by economists and agriculture analysts. While there are many non-profit and for profit organizations that provide analysis of world agriculture data, the definitive expertise is found in the Food and Agriculture Organization of the United Nations (FAO). Focused on poverty reduction and agricultural practices worldwide, FAO has studied the food problem since 1945. FAO is strongly dependent on the United States Department of Agriculture (USDA) world production data that also includes reports provided from the Foreign Agricultural Service (FAS) of the USDA with offices in the majority of food producing countries worldwide.

The preceding literature provides a solid and comprehensive understanding of China's food policy and its relationship with the WTO in the agricultural sector. Understanding the inherent theory bias of analysts when compared to the possible Chinese motivations for WTO accession and trade liberalization is important. It highlights the differences between economic and political solutions. Anticipating the potential effects of joining the WTO highlights the different domestic and international costs. Understanding the factors that make up food security and food instability better prepares one for the larger discussion at hand, especially after the latest Doha Development Agenda (DDA) talks collapsed in 2008. Economists highlight the economic advantage while the bureaucratic negotiator has to consider the political and domestic costs.

³² Brown (1995), 13.

D. METHODS AND SOURCES

Primary and secondary source materials have been used to advance the argument of the thesis. The main source materials are the Chinese negotiating stances found in the official statements and minutes from the WTO meetings. The preponderance of trade data have been pulled from the United States Department of Agriculture (USDA), the Food and Agriculture Organization of the United Nations (FAO), and the USDA's Foreign Agriculture Service (FAS). The PRC statements and proposals have been assessed based on their likely impact on food prices and subsequent trade. Trade data have been used to determine whether export/import of various foodstuffs increased or decreased following a market change. Two overall questions are considered throughout: How does this piece of evidence affect food trade and does it indicate a policy of protection or reform? What impact could this have on Chinese market liberalization?

It is useful to note that this thesis looks only at trade negotiations and minister level statements to determine what the central governments food policy goals are. It does not consider implementation of any Chinese policy statement. Much work has been done to highlight the regional disparity in implementing policy at the local level as well as the key players in any policy implementation. Only the negotiations patterns and statements are analyzed, but not the problems of implementation. The center sets the strategy to the advantage or disadvantage of locally focused governments.

E. ROOTS OF COMPETITIVENESS: FINDINGS AND ANALYSIS

Daniel Rosen, Scott Rozelle, and Jikun Huang, in their 2004 book *Roots of Competitiveness: China's Evolving Agriculture Interests*, evaluated the changes China's trade and domestic production underwent to meet WTO commitments. Using the trade pillar system broadly used by DDA negotiators (Market Access, Export Subsidies, Domestic Supports), the report showed how Chinese markets were liberalizing and that Beijing was meeting its WTO accession agreements ahead of schedule. Based on the available data at the time, Rosen et al. assessed that China would continue to liberalize as well as compromise in some stalled areas of the agriculture negotiations. The report concluded before the failed in 2006 and 2008. Updating the report in the same format

will be useful to assess how Beijing changed, in an attempt to answer if Beijing continues agricultural liberalization or if it is retreating towards protectionism.

In *Roots of Competitiveness*, the authors posed two major questions while conducting a complete review of China's progress in WTO commitments in agriculture: Will China continue to negotiate further agriculture reform? And, at what pace will domestic agriculture reform continue—or will it digress?³³ They listed their key points at the beginning of the report and made a series of assessments on the strategy China needed to pursue to ensure success in agriculture. They found that China's best interests were in continued liberalization in all areas of WTO agricultural negotiations and that China was more open with regard to agricultural trade than most other countries. With formal education and experience, Chinese leadership had become better informed about agricultural policy and that Chinese agriculture was in the process of transforming from land to labor intensive crops. Additionally, China had not negatively impacted world agricultural trade upon joining the WTO and that China's concerns evolved from domestic reform to market access issues.

Additionally, the authors found that China appeared to be pursuing trade liberalization more aggressively than its developing nation counterparts and that China could address the domestic negative effects of change within the confines of its WTO agreement. Food security arguments remained in the background while China remained a net food exporter and China's continued growth in the industrial and service sector would reduce peasant reliance on the agriculture sector for survival. There were few trade disputes compared to the large volume of Chinese trade. Finally, they assessed that because China was more liberalized than other nations, stalemates or negotiated agreements with small reductions in subsidies and market access would hurt Chinese interests. A fully liberalized trading regime internationally would benefit Chinese agricultural interests more.³⁴

³³ Daniel Rosen, Scott Rozelle, and Jikun Huang, *Roots of Competitiveness: China's Evolving Agriculture Interests* (Washington, DC: Institute for International Economics, 2004), 2.

³⁴ Rosen et al., 2-3.

Rosen et al. concluded that any collapse in negotiations and China's departure from the negotiations table would only hurt its interests. Having made these points, the report moved into examining China and its WTO agreements. The analysis did not consider options for China if, after four more years, there were only limited results with no agreement and developed countries continued to show reluctance to further open their markets as China had already accomplished.

Their final section provided recommendations and conclusions, though they did not discuss strategies Beijing could implement if negotiations stalled or collapsed. They also do not discuss how limited progress in the talks could affect China's reforms. The author's format for evaluation, market indicators, negotiation trends and estimates provided a good framework with which to answer this question: Can agricultural trade data and Beijing's stances in agricultural negotiations since 2004 reveal if it continues agricultural liberalization or is retreating towards protectionism?

III. CHINESE DOMESTIC MARKET LIBERALIZATION

In their study entitled *Roots of Competitiveness*, Rosen et al. asked the question: “Is China’s recent penchant for proliberalization talk on agriculture going to last?”³⁵ To answer this question the authors reviewed China’s path to liberalization through 2004 and decided that it would continue. Their main data points included the sweeping reforms the CCP implemented, and the effects these reforms have had on the citizens (especially the poor). They then used the traditional economic argument of comparative advantage—that China would continue to profit from a transfer from land to labor intensive farm products. They examined WTO commitments made during accession talks and evaluated China’s progress in meeting them as well as the effect various areas of change would potentially have on China and the world trade system. Their main purpose in doing so was to “suggest whether [agriculture trade liberalization] will stay the current course, go faster, slower, or even backward?”³⁶ In their findings they concluded liberalization would continue for China and not retreat towards protection.

Would these findings hold true through 2008, when little else had changed regarding agriculture negotiations even while China continued to reform? From 2004-2008, China endured two Trade Policy Reviews, watched trade talks fail at the height of world food and fuel prices, then experience the collapse of the financial market. Amidst this storm, would China continue to liberalize trade and agriculture? Examining the same issues Rosen et al. evaluated will likely provide a preliminary answer to that question.

Multiple issues were discussed by Rosen et al., with the authors breaking the issues down into the three trade pillars and other trade issues areas. To update the report and provide a preliminary answer to the questions, it will be useful to first divide their issues into two main areas. Domestic issues will be examined in this chapter. The following chapter will examine the international negotiations.

³⁵ Rosen et al., 2.

³⁶ Rosen et al., 2.

It is useful to separate the issues into these two groups. With stalled negotiations over the last four years, it is highly likely that the negotiations stances have not changed much, but domestic area specific issues could. The more domestic issues can also be used to determine whether China continues to liberalize or is becoming more protectionist, no matter how negotiations fare. Changes in these domestic indicators are often the result of prior negotiations, so it is assumed that these indicators will continue towards reform, even if subsequent negotiations stalled or failed. If a government decided to intervene because of a current issue, this intervention could reveal itself through slowed, stalled, or reversed progress.

The mandate from the November 2001 Ministerial Declaration in Doha, Qatar (the Doha Mandate), declared that the member states “commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade distorting domestic support.”³⁷ From this phrase, negotiators have broken most trade issues down into these three areas, referred to as the three pillars of the WTO agricultural negotiations: Market Access, Export Subsidies, and Domestic Supports.

Specific to China, Rosen et al. worked with a series of domestic indicators studied through 2004. Under the market access pillar they provided the tariff rates in Table 1 for 11 products and the quotas for another seven products in Table 2. Sugar, rice, and maize (feed corn) were ones that China should open more fully to the market and, in the case of sugar, should halt all protections on it. Within the export subsidies pillar, the authors highlighted Beijing’s statement to decrease and subsequently eliminate corn subsidies. In domestic supports, Rosen et al. measured the Chinese AMS rate at less than 4%, well under the allowed rate. Outside the three pillars, the authors noted the change in arable land use toward more labor-intensive crops and a decrease in the food security rhetoric amongst policy makers. They also noted a decrease in state control of the grain trade and that fertilizer was fully privatized. Would the trend of change in these areas continue?

³⁷ Doha Ministerial Declaration, November 2001, Paragraph 13.

A. MARKET ACCESS

The first pillar of the Doha Mandate demands the reduction of tariffs and the establishment of tariffs rate quotas (TRQ) to open up domestic markets to foreign competition with the ultimate goal of eliminating all tariffs and TRQ. The Doha Mandate emerged from the Uruguay round of talks where the formula for tariff reduction could not be agreed upon. The Uruguay formula applied an average to all tariffs and various members declared that this would allow already low tariffs to be raised because unusually high tariff rates of some products distorted the calculations. The Uruguay proposal also left various loopholes that did not please all members. The Doha talks which followed the Uruguay Round stalled over discussions concerning modalities (the equation) that was to be used to determine tariff reductions over time. This modality stalemate continues.

China's position with regard to market access had a history going back to the Deng reforms of 1979. Prior to opening, China's command economy pricing structure operated within a twice protected system of currency controls and fixed state pricing controlled by twelve national foreign trading companies. The two systems allowed the Chinese Communist Party (CCP), to buy and sell world commodities at world prices and then convert them to domestic prices. This allowed the CCP to buy goods on the international market that it could not produce itself or when there were shortages in domestic production. It also allowed the CCP to sell goods on the international market at whatever price deemed necessary to move the goods. Approaching reform, the CCP first set up special economic zones, devalued its currency, and broke the state controlled monopoly on international trade to better open up this two tiered system.³⁸

When China opened its economy, Beijing enacted tariffs to protect its economy from the sudden shock of the international market. In 1992, five years after application to rejoin GATT, the World Bank reported China's tariffs equaled Brazil's, with a trade weighed mean tariff at 32% and an unweighted tariff at 43%. The report also found

³⁸ Naughton, 380-383.

significant non-tariff barriers (NTB) in place that distorted prices.³⁹ China continued to convert these NTB to tariffs to aid in negotiations to enter the GATT and by 1999 had lowered its unweighted mean tariff to 17%.⁴⁰

1. Tariffs through 2004

Pre-WTO market change had been good for China and Beijing probably hoped for continued success. Primary goods trade grew from \$16.1 billion in 1980 to \$72.1 billion in 2001 (a 7.4% growth rate) and agricultural GDP rose 4.6% annually.⁴¹ Reform was clearly benefiting both domestic farmer and world buyer alike. After joining the WTO, Beijing continued to drive reforms to increase market access in agriculture. China continued to drop its allowed agriculture tariffs: from 21% in 1999 to 15.2% at the end of the study. Rosen et al. also found that while the allowed rates were low, “the real applied rates are much lower than the bound rates: 7.6% pre-accession, headed toward 3.6% post-accession”.⁴² The WTO agreement merely continued the reform. Rosen et al. focused on eleven products listed below in Table 1. These products remain major agriculture imports for China and higher tariffs act as a way to generate income and protect domestic production.

³⁹ Naughton, 385.

⁴⁰ Naughton, 391.

⁴¹ Rosen et al., 23.

⁴² Rosen et al., 8.

Crop	Tariff, 2004		Crop	Tariff, 2004
Barley 3%			Beef	12%
Soybeans 3%			Pork	12%
Citrus 12%			Poultry Meat	10%
Other fruits	10-13%		Dairy Products	10-12%
Vegetables	10-15%		Wine/Tobacco	14% / 10%

Table 1. 2004 Tariff Rates on Major Agriculture Imports⁴³

2. Tariffs Changes from 2004-2008

The rapid market access in some areas of Chinese production was attributed directly to the reduction in tariffs. An across the board increase in tariffs could indicate a change in policy, and possibly violate the WTO agreement. But such changes did not occur. China attained a final bound rate of 15.3% for WTO agriculture products in 2005, five years ahead of schedule, and its applied rate for agriculture remained just under 15.3% in 2007.⁴⁴ All 11 products from Table 1 were already at the agreed bound rate or lower and did not change further.⁴⁵

Static tariff rates did not mean that Beijing had reduced its commitment to market liberalization. Beijing chose to leave the tariffs at their bound rate, exactly as agreed. Also, Beijing did not raise these 11 products tariff rates during the various crises that occurred after 2004. Achieving the committed tariff goal early actually shows how committed China is to the WTO agreement and its tenets of open trade.

⁴³ Rosen et al., 42. In the report the source listed under the table was labeled as “China’s WTO Protocol of Accession, November 2001.”

⁴⁴ World Trade Organization (WTO), “Trade Policy Review: Report by the Secretariat—CHINA Revision,” World Trade Organization, document WT/TPR/S/199/Rev.1, 12 August 2008, 49.

⁴⁵ European Commission, “WTO Accession China Tariff Schedule,” September 2003. http://trade.ec.europa.eu/doclib/docs/2003/september/tradoc_113817.pdf (accessed February 2008).

3. TRQ through 2004

The TRQ process was added into China's WTO application to allow foreign market access to products with high final bound rates. The formal system was implemented in negotiations between Beijing and Washington during accession talks and the structure has since been considered as an accession mechanism for other non-market economies. The out-tariff rate for seven Chinese agriculture products was set at the final bound rate while allowing various amounts of foreign products into the domestic market at lower rates. In some cases, there was an implementation timeline to allow much higher tariff rates to be slowly adjusted to the final bound rate while in others, the goal was to slowly bring the out-tariff rate in line with the lower in-tariff rate; all while meeting an average tariff goal of 15%. For instance, edible oil tariffs started well above the 60% out-tariff rates. These high rates were gradually brought down to the WTO agreed rate of 9% for all edible cooking oils imported into China.

It is important to note that the products listed below in Table 2 fell into Beijing's category of national strategic products and Beijing was allowed to control access to these markets. The authors took exception to the inclusion of sugar. They found that sugar was not a strategic product for China and that China would benefit from greater access to world markets; Chinese protection of sugar did not make sense when considering comparative advantage.⁴⁶ Continued protection in sugar or an increased protection in sugar would be puzzling in the face of the reform China had made in agriculture.

⁴⁶ Rosen et al., 49.

Farm Product	Import Quota (Million Metric Tons)	In-Tariff Rate 2004	Out-Tariff Rate 2004
Rice 5.32		1%	65%
Wheat 9.64		1%	65%
Maize (Corn)	7.20	1%	65%
Cotton .89		1%	40%
Wool .37		1%	38%
Edible Oils	6.81	9%	68%
Sugar 1.95		20%	50%

Table 2. 2004 TRQ on Chinese Farm Products⁴⁷

4. TRQ Changes from 2004-2008

Beijing can lower the out-tariff rate and in-tariff rate and/or increase the import quota amount all without being in breach of any WTO agreement—making imports coming into the country cheaper. While not expected to occur, such a change would show continued liberalization and further opening of markets. Also, not eliminating or delaying the phase out of a TRQ would also indicate a change in policy violating the WTO agreement.

Some change was noted in the early years of implementation when all cotton imports above the quota were still charged in-tariff rates. From 2004-2008, there was no change to the amount or tariff rates for any of the seven products from Table 2, and there were no reported instances of decreased out-tariff rates. This can likely be attributed to the fact that China had reached far toward market reform and that it does not need to go farther. It is important to remember that the TRQ was a market access tool, not a

⁴⁷ Rosen et al., 43. In the report the source listed under the table was labeled as “China’s WTO Protocol of Accession, November 2001; NBS, *China Statistical Yearbook*, 2001.”

commitment from China to import those amounts of materials from foreign sources—a point that had to be reinforced with various members during the trade reviews China endured.

Since 2006, China’s Agriculture Ministers have argued against further domestic exposure to foreign imports in the seven products. From the USDA:

China’s Ministry of Agriculture argues strongly that the WTO concessions made as part of accession are partially responsible for the farm sector’s increased exposure to imported commodities, in particular soybeans and cotton. As a result, officials state that any further agricultural liberalization including tariff cuts, relaxation of tariff rate quota (TRQ), or elimination of import licensing is off the table.⁴⁸

The Agriculture Ministry statement is reflected in the static behavior of all product tariffs and quota quantities since edible oils attained the agreed accession amount of 9%. There have been some problems noted with the state’s procedure for filling quotas or reallocating quotas that were under-used. While China has provided answers to the system of allocation for the quotas, it also pointed out that the world price and domestic price limit the import of certain products at certain times.⁴⁹ Ministerial statements indicate continued change is unlikely so additional research in this area will have to focus on the TRQ system of allocation itself and its institutions and state trade participation, not on the tariff rate changes.

⁴⁸ USDA, “Agricultural Economy and Policy Report—China,” 3 February 2009. www.fas.usda.gov/country/China/china%20agricultural%20economy%20and%20policy%20report.pdf. (accessed February 2009) . Previous versions of the report back to 2006 carry similar statements.

⁴⁹ WTO, *Trade Policy Review: China. Minutes of Meeting Addendum*, WTO Document # WT/TPR/M/199/Add.1, 28 August 2008; WTO, *Summary report of the meeting held on 18 November 2004*, WTO Document # G/AG/R/41, 17 February 2005, 11.

Year	Import Quota (Million Metric Tons)					In-Tariff Rate (%)					Out -Tariff Rate (%)				
	'04	'05	'06	'07	'08	'04	'05	'06	'07	'08	'04	'05	'06	'07	'08
Rice	5.32	5.32	5.32	5.32	5.32	1	1	1	1	1	65	65	65	65	65
Wheat	9.64	9.64	9.64	9.64	9.64	1	1	1	1	1	65	65	65	65	65
Maize (Corn)	7.20	7.20	7.20	7.20	7.20	1	1	1	1	1	65	65	65	65	65
Cotton	.89	.89	.89	.89	.89	1	1	1	1	1	40	40	40	40	40
Wool	.29	.29	.29	.29	.29	1	1	1	1	1	38	38	38	38	38
Edible Oils	8.00	8.00	None	None	None	9	9	-	-	-	30.7	19.9	-	-	-
Sugar	1.95	1.95	1.95	1.95	1.95	15	15	15	15	15	50	50	50	50	50

Table 3. China's Market Access Commitments on Farm Products Subject to TRQ⁵⁰

5. Sugar, Rice, and Corn Findings through 2004

Rosen et al. presented that the sugar, rice, and corn markets all could open further to foreign markets to the betterment of domestic China either by making commodity prices lower or by allowing farmers to switch to other more advantageous markets. In the sugar industry, where 95% of China sugar production is centered in the most economically depressed rural areas of China (Guangxi, Yunnan, Hainan, Xinjiang),

⁵⁰ 2004: Rosen et al., 43. Source listed under the table was labeled as "China's WTO *Protocol of Accession*, November 2001; NBS, *China Statistical Yearbook*, 2001". Updates include:

Wool quota was changed according to the findings from the 2008 Trade Policy Review - WTO, TPR (2008). It was originally reported as .37 MMT.

Rape seed oil has been added to the number provided in the Rosen report. The tariff rates were unaffected by the addition of rape seed oil. Also, the out-tariff rate was originally reported as 68% for 2004. It has been updated as well from the TPR. The TRQ was phased out in 2005 as agreed with a final bound tariff rate at 9% with no quotas.

Sugar rate was changed according to the findings from the 2008 Trade Policy Review - WTO, TPR (2008). It was originally reported as 20%.

2005/6: World Trade Organization (WTO), "Trade Policy Review: Report by the Secretariat—CHINA Revision." World Trade Organization, document WT/TPR/S/199/Rev.1, 12 August 2008, 226-227.

2007/8: Assessed based on trade minister statement that the TRQ system would not change further. WTO, "Summary Report of the Meeting Held on 28 March 2007," WTO Document # G/AG/R/48, 6 July 2007, 15. Cotton and Sugar rates for 2007/8 verified the minister statement. WTO, TPR (2008), 129; USDA, "Sugar: World Production Supply and Distribution," November 2008, www.fas.usda.gov/ftp/sugar/2008/Nov%20sugar%202008.pdf (accessed March 2009).

moving away from sugar to other more profitable crops such as vegetables would raise standards of living. However, there is hesitance to change in these areas for failure to transition would result in even worse living conditions for sugar cane / beet growing farmers. The argument to allow more rice into the country rests strongly on the idea of urban price decreases on a staple food which would raise the quality of life inside the city. Finally, opening the corn market to foreign crops would allow China to better use its comparative advantage in labor by getting away from producing a land intensive product like corn.

6. Sugar, Rice, and Corn Findings from 2004-2008

With no change in tariff rates or TRQ amounts, one valuable way to measure changes in market access is to look at the amount of land under production; the assumption is that as more of a product is available from external sources, domestic production should not increase and farmland use for that commodity decrease. In 2004, Chinese farmers planted and harvested 1.4 million hectares of sugar cane (Guangxi alone planted over .67 million hectares) and .34 million hectares of sugar beets. USDA estimated in 2004, that while cane field areas remained about the same, sugar beet areas had actually decreased due to farmers growing more profitable crops such as soybeans and tomatoes.⁵¹ For the 2008/9 growing season, USDA estimated farmers planted 1.6 million hectares of sugar cane (Guangxi province accounted for most of the increase with .88 million hectares in production) while the sugar beet area declined—USDA forecasted planted area at .315 million hectares—even as local sugar mills raised their purchase price for beets. This change in pricing probably contributed to the 5% annual increase of planted area, though the overall number was still lower than its 2004 counterpart.⁵² Overall sugar production decreased only slightly, with increased yields from the expanded cane areas covering the losses experienced in sugar beets.

⁵¹ USDA Foreign Agriculture Service, “China, People’s Republic of. Sugar Annual 2004,” GAIN Report, Num. CH4009, 10 April 2004, 3,8. <http://www.fas.usda.gov/gainfiles/200404/146105994.pdf> (accessed February 2009).

⁵² USDA Foreign Agriculture Service, “Sugar: World Production Supply and Distribution,” November 2008. <http://www.fas.usda.gov/http/sugar/2008/Nov%20sugar%202008.pdf> (accessed February 2009).

Rice and corn also experienced land changes. USDA reported China's rice paddies covered 26.5 million hectares for the 2003/4 growing season.⁵³ The USDA projected areas under rice cultivation for the 2008/9 growing season are estimated at 29 million hectares with a projected yield increase per hectare of 6% since 2003.⁵⁴ With no change in the in-quota TRQ amount, China's domestic production probably expanded to meet the growing demand in China generated by the increase in wealth and continued population growth. A similar result was expected for corn even though it is land intensive and does not take advantage of the preponderance of labor that exists in China. USDA reported 24.1 million hectares of corn were planted for the 2003/4 growing season, and increased to 29.2 million hectares under cultivation for 2008/9.⁵⁵

When considering land use for sugar, rice, and corn, it appears China has not further liberalized under the market access pillar. From 2004-2006, with the exception of cotton, China never imported more than the in-tariff amount for any TRQ product.⁵⁶ Even when switching to overseas suppliers and encouraging sugar producers to switch commodities would aid Beijing in its fight to combat rural poverty, sugar remained insulated. Rice and corn also showed similar results. Land use study remains a vital tool in evaluating market liberalization changes.

B. EXPORT SUBSIDIES

Export subsidies are the quickest and most direct way to encourage traders to export and distort world trade. These subsidies lower the overall cost of production artificially and provide the incentive to export at the artificially lowered price. Export

⁵³ USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-04, December 2004. Table 9. <http://www.fas.usda.gov/wap/circular/2004/04-12/Wap%2012-04.pdf> (accessed February 2009).

⁵⁴ USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-08, December 2008. Table 9. <http://www.fas.usda.gov/wap/circular/2008/08-12/productionfull12-08.pdf> (accessed February 2009).

⁵⁵ USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-04, December 2004. Table 4. <http://www.fas.usda.gov/wap/circular/2004/04-12/Wap%2012-04.pdf> (accessed February 2009);

USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-08, December 2008. Table 4. <http://www.fas.usda.gov/wap/circular/2008/08-12/productionfull12-08.pdf> (accessed February 2009).

⁵⁶ World Trade Organization (WTO), "Trade Policy Review: Report by the Secretariat—CHINA Revision." World Trade Organization, document WT/TPR/S/199/Rev.1, 12 August 2008, 226-227.

subsidies adversely affect the selling price of developing countries' farmers, lowering their wage. As most of these farmers are also in the poorest sectors of society, export subsidies are blamed on hurting the initiatives to raise more people out of poverty. For development reasons then, export subsidies are generally banned.

Only 25 WTO members have clauses that allow for export subsidies—Australia, Canada, European Union, and the United States are key agriculture exporters with such protections. China, for accession agreed to eliminate all forms of export subsidies and since joining the WTO has worked to meet that agreement. The authors found evidence of export subsidies continuing through the first two years of membership but do note that in 2004, Beijing announced that export subsidies were being eliminated.⁵⁷ Unlike the import tariff pillar, where there exists some room to increase protections without violating WTO agreements, the export subsidies pillar has no such allowance. Chinese export subsidies would have violated the WTO agreement.

Rosen et al. noted Beijing's commitment to eliminate all export subsidies. They indicated only corn remained subsidized. Ministers stated that export subsidies for corn would be eliminated and the 2008 Trade Policy Review also referenced China's continued commitment to the elimination of all export subsidies.⁵⁸ Corn should not be exported given China's disadvantage at producing it: low-mechanized farm plots typically under an acre, and the high water and fertilizer input requirements. These factors should make corn export unprofitable, especially following the elimination of any sort of subsidy. USDA World Agriculture Supply and Demand Estimates (WASDE) corn export data from 2001 through estimates for 2009 supported this assessment:

⁵⁷ Rosen et al., 39.

⁵⁸ WTO, TPR (2008), 114.

Corn Crop Year	Import (Million Metric Tons)	Export (MMT)	WASDE Report # (Date of Report)
2001/02	0.04	8.61	406-20 (Jan. 2004)
2002/03	0.03	15.24	417-20 (Dec. 2004)
2003/04	0.00	7.55	430-20 (Jan. 2006)
2004/05	0.00	7.59	441-22 (Dec. 2006)
2005/06	0.06	3.73	453-22 (Dec. 2007)
2006/07	0.02	5.27	467-22 (Feb. 2009)
2007/08 Estimated	0.04	0.55	467-22 (Feb. 2009)
2008/09 Projected	0.10	0.50	467-22 (Feb. 2009)

Table 4. China Corn Imports and Exports, 2001-2009⁵⁹

The dramatic decrease in corn exports from the 2008 estimate and 2009 projection likely indicate that export subsidies for corn have been removed and it is no longer profitable to export it. Imports remain low and this likely accounts for the expansion of domestic acreage as mentioned above. More corn fields with higher yields combined with the elimination of exports seem to be enough to cover China's current demand for corn. As mentioned above though, at a point in the future, China farmers should stop expanding corn production and focus on more advantageous crops. At that time, China's corn import numbers should increase. The export data does indicate export subsidies in corn have been eliminated as declared.

Corn was the only product that Rosen et al. noted having export subsidies and the only product examined. The Trade Policy Review for 2008 also found no current export subsidies. With no export subsidies in this pillar, China is one of the most liberal trade nations in the world.

⁵⁹ The most current WASDE report is maintained on the USDA website at <http://www.usda.gov/oce/commodity/wasde/latest.pdf>; the archive for all WASDE reports is maintained by Cornell University's Albert R. Mann Library <http://usda.mannlib.cornell.edu>.

C. DOMESTIC SUPPORTS

The most difficult trade pillar to measure is the one dealing with domestic supports. Government support that could potentially distort trade and affect prices not already placed into one of the other pillars fall into this area of negotiations. The WTO devised a grouping mechanism of colored boxes to further break this cumbersome pillar into four workable areas. The Amber Box deals with supports that directly distort prices or are tied to production amounts.⁶⁰ Blue Box supports include those supports that normally would fall into the Amber Box but place limits on production — basically incentives not to produce — and is primarily used by wealthy developed countries.⁶¹ The Green Box includes government-funded incentives that do not distort trade and whose funds do not originate from increased prices.⁶² The final box is the Special and Differential (S&D) Box which contains individual developing country exemptions.⁶³

To further complicate the third pillar, calculations and governance depend on government transparency and self-reporting. How a member's domestic support program is classified is important because all supports that fall into the Amber Box are totaled, which generates the "aggregate measure of support" (AMS) figure. AMS can only be a certain percentage of the gross value of domestic agriculture production. Going above the AMS percentage violates the WTO agreement; developed nations' AMS is set at 5%; developing nations AMS is set at 10%.⁶⁴

1. China's AMS Rate before 2004

China agreed to an AMS at 8.5%, even though it was allowed 10% at accession. At accession, China's AMS amount was roughly calculated between 2.0-3.5%;⁶⁵ the

⁶⁰ Article 6 of the Agriculture Agreement fully defines Amber Box supports.

⁶¹ Article 6, Paragraph 5 of the Agriculture Agreement fully defines Blue Box supports.

⁶² Annex 2 of the Agriculture Agreement fully defines Green Box supports.

⁶³ No formal definition as the issue is member dependent.

⁶⁴ Complete background on agriculture domestic supports and the colored box explanations can be found on the WTO Agriculture site: WTO, "Fact sheet: Explaining "the boxes" in Domestic Support," 2002. http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm. (accessed March 2009).

⁶⁵ Rosen et al., 13.

8.5% upper limit provided Beijing with much room to grow without violating WTO agreements. The authors noted that Beijing had embarked upon schemes at the provincial level to lessen the impact joining the WTO had on farmers. They speculated that the pilot program, if applied across China would not violate the AMS level and “be more than sufficient to offset most if not all the adverse effects of China’s WTO accession agreement.”⁶⁶ Since this pilot program paid the farmer directly and was not tied to production or supported by increased prices it would be classified in the Green Box of domestic support and not count against China’s AMS calculation amount.

2. Estimating China’s AMS Rate from 2004-2008

Accurately calculating China’s Domestic Support amounts required government transparency and correct self-reports. In 2006, China provided data to help answer what its AMS amount was, but that data was only for 1999-2001. Since that time it has been through two Trade Policy Reviews and at each it has been unable to provide additional data. The 2008 TPR stated, “according to [Chinese] authorities, this is due to technical issues regarding the existing Chinese data.”⁶⁷ When asked to provide further information, Beijing responded, “[t]he domestic support notifications for 2002 onwards are under preparation.”⁶⁸ Since no consolidated reporting then exists from Chinese authorities, anecdotal evidence and partial reporting have to be used to see if China’s AMS rate is increasing or decreasing from the 3.5% estimate.

One of the first clues that domestic supports will increase is found in Beijing’s economic and social development plan released after the First Session of the Eleventh National People’s Congress in March 2008. Section III, sub-section 2, paragraph 3 of the English version stated:

The policy of agricultural subsidies will be strengthened and improved.
We will continue to provide assistance directly to grain farmers and raise
the overall level of general direct subsidies for agricultural supplies in

⁶⁶ Rosen et al., 53.

⁶⁷ WTO, TPR (2008), 115.

⁶⁸ World Trade Organization (WTO), “Trade Policy Review: China. Minutes of Meeting Addendum,” World Trade Organization, document WT/TPR/M/199/Add.1, 28 August 2008, 291.

response to price rises, expand the scale of subsidies for growing improved crop varieties and the scope of eligibility for subsidies for purchasing agricultural machinery and tools, and appropriately raise minimum grain purchase prices. Trials of subsidized agricultural insurance premiums will be expanded.⁶⁹

The level of that increase remained to be seen. After 2004, China also moved away from taxing farmers and after implementing a national income tax, Article 86 of the China's Enterprise Income Tax granted exemptions to agriculture producers and pork growers.⁷⁰

Some agriculture support data does exist to support the social development plan statement. Agriculture expenditures were listed at Yuan 123 billion in 2000, increased to Yuan 236 billion in 2004, and increased again to Yuan 317 billion in 2006. Within these spending figures were direct subsidies to grain growers. In 2004, direct subsidy was listed as Yuan 11.6 billion which increased to Yuan 14.2 billion in 2006. An additional Yuan 12 billion subsidy was granted to grain producers for price increases in production inputs in 2006.⁷¹ In 2007, total agriculture spending was reported at Yuan 432.7 billion and increased again in 2008 to Yuan 562.5 billion with an additional Yuan 25.3 billion in reported supports for farmers.⁷² The current world fiscal crisis and trade imbalance likely will inhibit budget increases in agriculture, though anecdotal evidence does point to near term actions to protect Chinese farmers during the most recent round of price fluctuations and weather and do fall into the domestic support category.⁷³

69 National People's Congress, "Report on the Implementation of the 2007 Plan for National Economic and Social Development and on the 2008 Draft Plan for National Economic and Social Development," 5 March 2008. http://news.xinhuanet.com/english/2008-03/20/content_7827893.htm (accessed February 2009).

70 U.S.- China Economic and Security Review Commission, "2008 Report to Congress," <http://www.uscc.gov>, page 38. (accessed December 2008).

71 WTO, TPR (2006), 174; WTO, TPR (2008), 116.

72 Xinhua News Agency, "Pledge not to Stop Rice Exports Lauded," *Xinhua*, 25 April 2008. http://news.xinhuanet.com/english/2008-04/25/content_8047076.htm (accessed February 2009).

Xinhua News Agency, "Chinese Grain Reserves Sufficient," *Xinhua*, 5 May 2008. http://news.xinhuanet.com/english/2008-05/05/content_8106686.htm (accessed February 2009).

⁷³ Beijing allocated the equivalent of \$80.1 billion for its 2008 agriculture budget. The United States in 2004 spent \$95 billion in domestic agriculture support where a significantly lower percent of the population was engaged in farming. These amounts increased in the 2008 U.S. Farm Bill. The developing world claims the U.S. and even higher EU farm supports distorted trade. These amounts would be a significant contention point in 2008 and contribute to the collapse of the latest Doha round of talks.

China announced various farm subsidies to aid in the severe winter weather in early 2008, the summer 2008 collapse of commodity prices, and aid for farmers affected by severe weather in 2009. In February 2008, the Ministry of Finance allocated Yuan 63.3 billion for agriculture goods and grain subsidies to hard hit areas in the central, south, and southwest provinces.⁷⁴ Following the collapse of farm prices in the summer of 2008, the Chinese government purchased 10 million metric tons of corn to stabilize prices and provide direct supports to Chinese farmers at a cost of Yuan 15 billion. This report was discussed by the USDA in its World Agriculture Production series when it stated, “the [Chinese] government plans to purchase 10 million tons of corn, mainly from the Northeast, to support the corn market and improve farmers’ income.”⁷⁵ In February 2009, in response to the ongoing drought in China’s wheat and rape seed producing areas, an additional Yuan 400 million was being sent in to provide relief assistance.⁷⁶ The anecdotal evidence does indicate China continues to subsidize its farmers; though how those subsidies are to be classified in the AMS scheme is entirely dependent on how the regional governments allocate that money to be spent. Additional responses to continued disasters, the financial crisis, and government purchases and sales will likely complicate China calculation of domestic supports and continue to delay any AMS reporting to the Trade Policy Review body of the WTO.

Having not released numbers to the WTO is a mark against Chinese market liberalization. The Rosen et al. estimate of 2.0-3.5% was based on the 1999-2001 trade data provided. At the time the agriculture budget in 2000 was Yuan 123 billion. Since then the budget has increased dramatically to Yuan 562.5 billion in 2008. A 450% increase in the budget will probably have a direct effect on the amount of money put into AMS related supports. If that is the case, a high estimated AMS rate could be between 9.1-16.0%, well above the 8.5% limit Beijing placed on itself at accession.

⁷⁴ Xinhua News Agency, “Direct Farm Subsidies to Help Post-Disaster Reconstruction,” *Xinhua*, 22 February 2008. <http://www.china.org.cn/english/China/243567.htm> (accessed February 2009).

⁷⁵ USDA, WAP 12-08, 3.

⁷⁶ BBC News, “China Declares Drought Emergency,” *BBC ONLINE*, 2 February 2009. <http://news.bbc.co.uk/go/pr/ft/-/2/hi/asia-pacific/7871964.stm> (accessed February 2009).

D. OTHER TRADE DISTORTIONS

Outside market access, export subsidies, and domestic supports the authors noted other market liberalization trends. They noted changes in arable land use toward more labor intensive crops and a decrease in the food security rhetoric amongst policy makers. State control of the grain trade decreased and the fertilizer trade was fully privatized. Would these trends continue?

1. Arable Land Use through 2004 Considering Comparative Advantage

One of the basic assumptions of comparative advantage and the free market is that a farmer will grow a crop in which it has favorable factors of production. In China's case, the producer is faced with a large labor pool and limited available arable land. Under this circumstance, to make the most profit, products that are land intensive should give way to those that are labor intensive. It is then easy to assume that arable land use would show those trends as labor intensive products begin to replace land intensive ones on the available land. The authors noted Chinese farmers, after given the choice of what to farm, shifted to crops that they could produce competitively. Meats, fruits, and vegetables replaced the state demanded grain crops and planted areas for these crops increased to the point where the authors calculated China "added a "new California" every two or three years in China between 1990 and 2002."⁷⁷ Forcing farmers to plow under these income generating plots and return to a more state controlled system of grain products would be an unmistakable sign of a reversal of reforms and a return to protectionism.

2. Arable Land Use: Growth in All Areas, 2004-2008

Since 2004, there has been an increase in land dedicated to high labor crops. But China has not only expanded production in labor-intensive commodities, it has also maintained or expanded production in land-intensive crops. There are no real land losers, as seen in Table 5. Corn and wheat both continued to expand. Total land use numbers expanded while Chinese farmers also increased the production of meat and milk: 110

⁷⁷ Rosen et al., 35.

million tons in 2006, up from 70 million in 2000.⁷⁸ Domestic supports have likely led to some land use distortions but the numbers do not seem to match up with the reports of farmland loss to commercial endeavors, real estate, or desertification. In 2007, the State Council announced suspension of a 1.3 million hectares reforestation scheme to protect fragile farmlands on hillsides because of its pledge to maintain a minimum of 120 million hectares of farmland. The report mentioned that China had only 122.07 million hectares of agriculture land in production and could not afford to set aside the million hectares for trees.⁷⁹ Consider the following land use numbers below in Table 5:

Product 2000		2002/3	2004	2008/9
Cotton		4.18		6.0
Wheat		23.9		24.0
Corn		24.6		29.2
Other Course Grains		3.4		2.86
Rice		28.2		29.0
Soybeans		8.72		9.30
Other Oil Seeds		17.38		17.25
Fruits / Vegetables	22.36	23.5 (est.)	24.97	30.0 (est.)
Total Land Area		133.88 (est.)		147.61 (est.)

Table 5. Arable Land under Cultivation (Million Hectares)⁸⁰

⁷⁸ WTO, TPR (2008), 111.

⁷⁹ Xinhua, "China Suspends Farmland Reafforestation Plan," *Xinhua*, 11 September 2007. http://news.xinhuanet.com/english/2007-09/11/content_6704640.htm (accessed February 2009)

⁸⁰ 2002/3: USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-04, December 2004. <http://www.fas.usda.gov/wap/circular/2004/04-12/Wap%2012-04.pdf> (accessed February 2009).

2008/9: USDA Foreign Agriculture Service, "World Agriculture Production," WAP 12-08, December 2008. <http://www.fas.usda.gov/wap/circular/2008/08-12/productionfull12-08.pdf> (accessed February 2009).

There are many explanations for the wide disparity in numbers. One reason could be found in the Chinese bureaucracy and the unintended consequence of changing from a taxation system to a support system. Provinces likely under reported taxable agricultural lands to the central government in order to maintain some revenues outside the control of Beijing. In 2006, with the elimination of the farm tax and the provision of farm subsidies, it stands to reason that there will be some fraud as farmers and local officials try to collect more government support money by inflating land holdings. It is an area that requires further study to determine better land use numbers.

The data as presented in Table 5 does seem to indicate that while the government allows the expansion of various cash crops, Beijing continues to hedge and finance a domestic production capability for grain even if it is against its free market interests. While not a retreat into protectionism, it does appear, from the view of arable land, that China continues to liberalize with some domestic safeguards to meet political and social concerns.

3. The Decrease in Food Security Rhetoric through 2004

Rosen et al. noted a lack of rhetoric that would indicate Beijing desired to return to a protectionist style, command / planned economy from accession talks through 2004. There were expectations in Beijing that agriculture reform would occur simultaneously with rural poverty reduction—where reform had to support that key endeavor. They attributed this lack of rhetoric to China’s position as a world trader. “Food security, an overarching noneconomic concern that trumps rational arguments about agriculture reform in many countries, is less critical as long as China remains a net food exporter with high productivity growth.”⁸¹

2000/4 Fruits / Vegetables: Sophia Huang and Fred Gale, “China’s Rising Fruit and Vegetable Exports Challenge U.S. Industries,” USDA, FTS-320-01, February 2006. Table 3.
<http://www.ers.usda.gov/Publications/FTS/2006/02Feb/FTS32001/fts32001.pdf> (accessed February 2009).

The 2002 estimate averaged the progression noted between 2000 and 2004. The 2009 estimate was calculated using China’s 40% export increase in various fruits and vegetables, attributing 50% of the increase to production efficiency and the other 50% to land expansion.

⁸¹ Rosen et al., 3.

4. Protectionist Rhetoric Rise after 2004

After 2004, trade data indicated China had finally become a net food importer. If Rosen et al. were correct, then an increase in rhetoric is to be expected. While leaders could tolerate import reliance during times of plenty and market stability, what about in times of crisis? Evaluating national policy documents, leadership speeches, and bureaucrat statements made during the food crisis between November 2007 and August 2008, when protectionist tendencies and food security issues were evident world wide revealed the authors' prediction was correct.

The NPC 2008 Draft Plan for National Economic and Social Development was the most influential policy planning document released during the food crisis that combined economic concerns and social well-being.

We have enjoyed years of bumper harvests and domestic supply and demand of major farm products have been basically well balanced. ...as policies limiting the export of resource products and products whose manufacture is energy intensive and highly polluting and policies encouraging imports and trade in services begin to take hold, the volume of imports should appropriately increase, the import and export mix should improve and the trade imbalance ease. ...strictly control the prices of commodities and services under government regulation. ...must maintain an appropriate pace and intensity for government price regulation. ...Regulation of market prices will be strengthened. ...Temporary measures will be taken earnestly when needed to hold down the prices of some key basic necessities. ...ensure adequate market supply during flood season, peak times in summer and winter, the Olympic Games, and major holidays. ...comprehensively deepen structural reforms and improve our open economy. ...support and guide development of the nonpublic sector of the economy...⁸²

The majority of the document reads like the above portion, with emphasis on using the market to answer shortfalls in domestic supply and continued reform in non-market sectors. It insinuates continued liberalization and reform.

⁸² National People's Congress (NPC), "Report on the Implementation of the 2007 Plan for National Economic and Social Development and on the 2008 Draft Plan for National Economic and Social Development," 5 March 2008. Excerpts from Section II, paragraph 5,6. Section III, Section 1 and Section 6. http://news.xinhuanet.com/english/2008-03/20/content_7827893.htm (accessed February 2009).

The tone of the document looks less open market in the area of agriculture. It discussed developing a core grain production area and maintaining specific grain production numbers.

We will strengthen the position of agriculture as the foundation of the economy and effectively promote the development of a new countryside. ... We will promote steady growth in the production of major farm products. Arable land will be strictly protected, and protection of basic farmland in particular will be strengthened. We will increase support for major grain producing areas and grain farmers. We will institute the grain strategy project, accelerate development of core grain production areas and begin developing secondary production areas to keep grain output stable at about 500 million tons... The policy of grain subsidies will be strengthened and improved.⁸³

Would this dichotomy of open market and reform while developing a core agriculture capability be repeated in leadership and bureaucrat statements as well? It was during the crisis. Speaking in Japan during the G8 summit President Hu Jintao discussed the ongoing food crisis and made this charge: “the international community should give priority to developing agriculture and formulate a long-term international food cooperation strategy.” He further outlined a strategy to overcome the crisis. Hu said all countries must prioritize food production at the strategic level and raise grain production and grain reserves. Developed countries programs should be financially aided by developed nations. He called for an improved international trade environment that established a fair trade for agricultural goods and that all nations coordinate food issues at the national level so that the world could immediately respond to emergencies. Finally the president saw the need for a balanced and well-rounded approach to food security that all took into account pollution, the environment, and energy efficiency. Hu closed by saying, “China attaches great importance to agriculture and especially the food issue, which pursues a food security policy of relying on domestic supply, ensuring basic self-

⁸³ NPC (2008), Section III, Section 2, Paragraph 1-6.

sufficiency and striking a balance through appropriate import and export.”⁸⁴ It appeared agriculture concerns fell outside the free market and that all nations needed to focus on attaining a basic level of food self-sufficiency.

The Chinese bureaucracy also echoed President Hu’s Japan speech. In a broad survey of news articles open market reforms were encouraged while, when dealing with the specific issue of basic food products, self-sufficiency was stressed. The fact that China imported fertilizer to realize its goal of 500 million metric tonnes of grain production did not seem to matter as much as the production of the grain itself. Basic self-sufficiency through agricultural focus was enough. And the statements focused not on the inputs but on the production outputs.

After 2004 and especially during the most recent food crisis, food protection rhetoric was present and could translate into policies that inhibit continued liberalization, or worse, reverse it. When looking at grain and fertilizer, rhetoric became policy.

5. Grain and Fertilizer Trade

The fertilizer trade completely shifted from state control in 1980 to the private sector by 2000. The grain market did not shift as quickly and suffered a series of retrenchments in the 1990s and in 2000 and 2002. The authors found that the state trading companies behaved like their private counterparts. By 2004, there were many thousand grain traders and that rice traded outside the control of the state.⁸⁵ A retrenchment or resurgence of state control of the grain trade or in fertilizer controls would indicate China had ceased liberal reforms and returned to protectionism.

Beijing viewed fertilizer as an important commodity and though fertilizer trading remained privatized, the government had been able to exert controls over it. Beijing had an equal interest in grains. The 2008 TPR found that grain procurement was still

⁸⁴ Xinhua, “Hu Jintao Attends Outreach Session of G8 Summit,” *Xinhua*, 9 July 2008. http://news.xinhuanet.com/english/2008-07/09/content_8516647.htm (accessed February 2009)

⁸⁵ Rosen et al., 26-27.

controlled at some level by government trading.⁸⁶ The 2008 food price crisis is an excellent example of how Beijing would react to suppress domestic price increases and retreat towards protectionism.

At the beginning of 2008, as the world price for fertilizer began to rise because of the increase in transportation and manufacturing costs, Chinese fertilizer companies began to export larger amounts of fertilizer. On 15 February, Beijing instituted export duties of 20-35% on four of the seven types of fertilizer, citing a 250% increase in the export of carbamide (urea) fertilizer and 280% increase in the export of monosodium phosphate fertilizer in the first two months of 2008. On 17 April, the government widened and increased the tariffs on all seven types of fertilizer to a 100-135% duty on exports. This duty was to remain in place from 30 April until 30 September 2008. The increase in exports caused domestic supply shortages and price increases just as Chinese farmers were getting ready for the spring planting season. Beijing hoped that the tariff increase would help control price increases and that the crisis not affect grain production adversely.⁸⁷

On 25 April, the COFCO's general manager Yang Hong said the company—which is responsible for Chinese rice export—would not restrict export even as India and Vietnam were.⁸⁸ Five days later the Ministry of Commerce released a circular which seemed to indicate just the opposite as it “urged local authorities to strictly control grain and fertilizer exports and expand storage of farm produce to ensure domestic supply.” The press report stated food prices had risen 21% and that “the government has decided to scrap export rebates for most grains and impose export duties between 5% and 25%

⁸⁶ During the transitional review in 2005 the Beijing team even stated “With regard to exports of grains, state trading was maintained for considerations such as to ensure stable supply in the domestic market, to protect the interests of consumers from being affected by drastic price fluctuations in the international market, and to safeguard food security.” WTO, “Summary Report of the Meeting Held on 22 September 2005,” WTO Document # G/AG/R/44, 25 November 2005, paragraph 32.

⁸⁷ Xinhua News Agency, “China to add 100% Export Duties on Fertilizers,” *Xinhua*, 17 April 2008. http://news.xinhuanet.com/english/2008-04/17/content_7994180.htm (accessed February 2009).

⁸⁸ Xinhua News Agency, “Pledge not to Stop Rice Exports Lauded,” *Xinhua*, 25 April 2008. http://news.xinhuanet.com/english/2008-04/25/content_8047076.htm (accessed February 2009).

this year.”⁸⁹ On 2 May, the General Administration of Customs stated export of various products to include fertilizer were down 10.5%, the export tariffs it appeared were beginning to take affect. These tariffs were already implemented before two events occurred in rapid succession that would continue to affect China food prices. On 3 May, a tropical cyclone ripped through a traditional rice exporter—Burma (Myanmar) and destroyed most of its rice crop. On 12 May, as rice prices continued to spiral upward, a major earthquake hit Sichuan province, killing thousands and upsetting the provincial economy.

Fertilizer export control measures only occurred in February 2008 after prices began to rise. Grain policy also followed a similar path. After record exports occurred in 2007, domestic food prices began to rise in China in November. In December 2007, in an effort to curb price increases, the Ministry of Finance announced a series of changes in the export scheme affecting grain export. The 13% export rebate was eliminated on a wide range of grain products and an export tax was applied to wheat (20%), wheat products (25%), corn/rice/soybeans (5%), and processed corn/rice/soybeans (10%). These changes were implemented to try and curb food inflation which was reported to have increased 18.2% in November 2007 alone and set to continue until the end of 2008.⁹⁰

Under the above conditions, China approached the latest Doha round of agriculture negotiations in July 2008. While not directly related to the talks collapse, these conditions and the state of the world trade system probably contributed to the stalemate. China did not resume market pricing for fertilizer until January 2009, after Beijing raised export taxes again to 150% in September 2008, and then held an NPC Council meeting chaired by Wen Jiabao in late December to consider the events.⁹¹ From

⁸⁹ Xinhua News Agency, “China Urges Strict Local-Level Control of Grain, Fertilizer Exports,” *Xinhua*, 30 April 2008. http://news.xinhuanet.com/english/2008-05/01/content_8084659.htm (accessed February 2009).

⁹⁰ Xinhua News Agency, “China to Levy Export Tax on Grain Products,” *Xinhua*, 30 December 2007. <http://english.people.com.cn/90001/90776/6330268.html> (accessed February 2009).

⁹¹ Xinhua News Agency, “Rise in Export Taxes on Fertilizers,” *Xinhua*, 1 September 2008. http://big5.ce.cn/gate/big5/en.ce.cn/Business/Macro-economic/200809/01/t20080901_16676775.shtml (accessed February 2009);

February 2008 until January 2009, while the fertilizer trading companies may have been private, Beijing ensured that these traders did not participate in the free market system and sell to the highest buyer. During a crisis it seemed Beijing reverted to protectionism through its use of heavy handed export tariffs.

E. EVALUATION OF DOMESTIC LIBERALIZATION

Even after four years of upheaval and collapsed negotiations, Beijing continued a trend of market liberalization in market access and export subsidies. Domestic supports and government transparency continued to hamper timely reporting on monies allocated to farming, as China's overall agriculture budget increased.

In other areas outside the pillars, the trend of market liberalization also continued. Land use indicated a continued expansion of labor intensive products, even while there was an expansion of less efficient crops. Even considering the rise in rhetoric, and Beijing's response to the 2008 food crisis showed a commitment to the market. Rather than nationalize private industry, take over the export side of business, or permanently leave measures in place, Beijing chose to use market mechanisms to control its private enterprises. Even though this did distort markets, it was less of a reaction than one that could have occurred—nationalization. Liberalization continues, but at Beijing's pace.

Domestically, liberalization continued. What would Beijing's negotiations stances indicate?

Xinhua News Agency, "China Takes Measures on Reform of Fertilizer Industry," *Xinhua*, 26 Dec 2008. http://big5.ce.cn/gate/big5/en.ce.cn/Business/Macro-economic/200812/26/t20081226_17798969.shtml (accessed February 2009).

Xinhua News Agency, "China Removes Fertilizer Price Control," *Xinhua*, 25 January 2009. http://big5.ce.cn/gate/big5/en.ce.cn/Business/Macro-economic/200901/25/t20090125_18056217.shtml (accessed February 2009).

IV. CHINESE TRADE NEGOTIATIONS

In their study entitled *Roots of Competitiveness*, Rosen et al. asked the question: “Is China’s recent penchant for proliberalization talk on agriculture going to last?”⁹² To answer this question the authors reviewed China’s path to liberalization through 2004 and decided that it would continue. Examining the more recent trade data and domestic issues has painted a less clear picture. In the domestic realm it appeared that while China continued to work to meet and maintain its WTO commitments, during times of crisis it would revert to protectionist behaviors and protect its grain industry and production capability. Transparency issues also added a black mark not found in the Rosen et al. report.

How would the external side of agriculture negotiations change over the four year period, when compared to the findings on the domestic side of agriculture liberalization? The Rosen et al. work suggested that there were areas China could give way on to facilitate an end to the agriculture negotiations. Based on their modeling, China has more to gain with a successful conclusion of the Doha round of negotiations than in a continued stalemate. A wide ranged liberal agreement would benefit China most for it could require the same deep reforms China went through on other less open market economies and remove many of the advantages the developed nations accumulated through years of negotiations. Even a less liberal final document would provide China some advantage and allow continued domestic reform without having to worry about a changing international negotiations process influenced by one crisis or another.

Beijing’s negotiation stances should not change much, especially considering that little new agreement has been reached since 2004. A compromise stance in an environment of failed negotiations and high prices could be a telling indicator of Chinese agriculture goals and point the direction future reform would likely take.

⁹² Daniel Rosen, Scott Rozelle, and Jikun Huang, *Roots of Competitiveness: China’s Evolving Agriculture Interests* (Washington, DC: Institute for International Economics, 2004), 2.

Rosen et al. discussed the various negotiations through 2004, again under the umbrella framework of the three pillars and other externalities. They assessed that Beijing's stances in market access would continue to favor developing nations by calling for a new tariff-protection mechanism and demanding low quota calculations when determining TRQ values. Within export subsidies, China called on other members to completely eliminate all export subsidies as it had agreed to in its accession agreement. Within the domestic supports pillar, Beijing's negotiations stance resembled its subsidies stance—reduce, eliminate, or better govern the individual boxes. Contrary to predictions, negotiations stances in market access, export subsidy, and domestic supports would not change much after 2004. Outside the three pillars, two fundamental negotiations changes occurred after 2004 that are also worth considering: China's participation in the DDA Sub-Committee for Cotton (SCC) and China's expanding involvement in other formal and informal negotiations alliances.

A. MARKET ACCESS

Once a part of the WTO and included in the agriculture talks, Beijing's position became one of an equal, not one seeking membership. It no longer had to worry about tariff rate changes and negotiating TRQ products. It now could focus on making the system work to support its own interests. China's negotiations team worked to remind WTO members that the latest agriculture negotiation round was a development round and should focus on improving the lot of the developing country members. Rural development, food security, and farmer security were all items needing to be addressed, as most of these countries' poor were engaged in farming. And any goal tied to development would help eliminate poverty. China tied development to each of the sub-areas under market access: special privileges for developing members, the Tariff Rate Quota system, and its stance on developed nations Special Safe Guard exemptions. China continued the trend established prior to 2004 and continued to lobby for longer implementation timelines. It reinforced its remaining TRQ products and adjusted the quota to meet its domestic needs. Finally, it continued to attempt to implement a new Special Safeguard Mechanism that favored developing nations.

1. Special Privileges for New Members / Developing Countries

Up through 2004, China proposed that special product exemptions and time line considerations be given to developing nations and RAM in whatever tariff modality was chosen—at that time siding with the equation that lowered tariff peaks.⁹³ Beijing also had other concerns that fell outside the three pillars, but were raised either in statements or during 2001-2004 negotiations. The special treatments developed nations garnered through 60 years of membership remained a target of Beijing trade negotiations.

Rosen et al. assessed China would back away from stances calling for special privileges for various member states. Between 2004 and 2006, China remained committed to special privileges and did not back away from that demand. Its focused on economic groups of members, each with issues that China believed need to be addressed in negotiations. The first broad group consisted of those members who recently joined the WTO. The second broad group encompassed developing member who tied certain products directly to well-being, food security, and poverty reduction. The other broad group consisted of those small and fragile states with limited production capabilities and significant infrastructure and governance problems (often referred to as the least developed countries—LDC and small and vulnerable economies—SVE).⁹⁴ It is in the first two groups that China's stances came into conflict with developed member states. No member denied that the LDC required assistance and special treatment, but members have significantly different views on what special dispensations other member states should have.

a. Recently Acceded Members Support

China maintained the stance that Recently Acceded Members (RAM) should be granted special treatment. Beijing argued that China as well as other RAM agreed to significantly more structural changes and fundamental trade adjustments than members who joined the organization under GATT accession rules. RAM had to agree

⁹³ Rosen et al., 9, 10.

⁹⁴ A complete listing of the various negotiations groups and member countries is found in the Appendix: *Negotiations Groups' Membership*.

to significant tariff cuts and other market access mechanisms and should be exempted from further trade liberalization initiatives until other members implement similar tariff adjustments. If not exempt, Beijing demanded RAM receive longer implementation periods, starting further reforms after other members.

In late 2003 and early 2004, Beijing and the G-20 made four statements calling for special treatment afforded to RAM. As ministers were picking up the pieces of the failed 2003 talks, both China and the G-20 highlighted that RAM concerns needed to be addressed in any follow-on negotiations. In May 2004, the G-20 presented a statement against the formulas suggested by the United States and European Community, highlighting that it did not address RAM timeline concerns. China also stated as much in its meeting statement later in the month.⁹⁵ While making these statements supporting RAM concerns, China and the G-20 also supported Special and Differential (S&D) treatment for developing countries.

Through 2006, Rosen et al.'s prediction seemed to hold true that China would back away from calls to give RAM certain deadline extensions. Neither China nor the G-20 made any statement discussing RAM requirements. RAM issues were mentioned briefly in early 2006. During its trade policy review in March, Beijing ministers said, "In this new round of negotiations, special concerns of newly acceded Members including China should be recognized and respected."⁹⁶ Only after talks collapsed again later in 2006, did RAM issues receive better attention. In early 2007, RAM laid out their demands formally. The RAM proposal would receive support from the other trade blocs and individual countries. In the March 2007 proposal, RAM called for at least a five year implementation period longer than other developing country members for any agreement, a no average tariff cut commitment and a special safe guard mechanism on certain products. It also proposed that for any AMS calculation, subsidies

⁹⁵ WTO, "Minutes of Meeting, 15-16 December 2003," WTO Document # WT/GC/M/84, 27 February 2004, paragraph 15, 48, 49; WTO, "Communication from the G-20, 7 May 2004," WTO Document # TN/AG/GEN/9, 7 May 2004; WTO, "Minutes of Meeting, 17-18 May 2004," WTO Document # WT/GC/M/86, 30 June 2004, paragraph 80.

⁹⁶ WTO, "Trade Policy Review: Report by the PRC," WTO Document # WT/TPR/G/161, 17 March 2006, 16.

to agriculture inputs and investment must not be included in the formula.⁹⁷ Before the proposal was submitted, RAM laid out the reasons for these *agricultural* requirements during a February trade meeting on Market Access for Non-Agricultural (NAMA) products:

The position of the RAMs which calls for a differentiated treatment within these negotiations is legitimate due to the fact that in the process of accession the RAMs assumed extensive level of commitments in all WTO areas, distinguishing thereby the group from the rest of the membership. In this regard, RAMs consider that the aim of this development round should not be to deepen already existing discrepancies between developing members, or to disadvantage those that have done their share in contributing extensively to the world trading system. Instead, members should pursue an approach that takes into account different realities which exist among their schedules and envisages more balanced outcome. ... The present level of RAMs commitments could hardly be reached by other developing and many developed countries as the result of this round's reductions, even if the round would produce more ambitious results. At the same time this advanced level for RAMs represents the starting point for the implementation of the DDA commitments.⁹⁸

China continued such calls in 2007, highlighting RAM concerns in other minister statements and through supporting the statements of other RAM countries.⁹⁹

b. Developing Country Special Privileges

While implementation timelines and limited cuts were at the center of RAM demands, China shifted the focus to food security issues for other developing country demands. While Beijing supported RAM timeline and tariff issues in 2004 and 2007, it maintained the same negotiating stance concerning developing nation members and special privileges over the entire time period studied; never appearing to back away from the issue nor appearing to compromise. The reason for this hard stance is different

⁹⁷ WTO, "Negotiating Proposal by Recently Acceded Members (RAMS)," WTO Document # TN/AG/GEN/24, 13 March 2007.

⁹⁸ WTO, "Market Access for Non-Agricultural Products," WTO Document # TN/MA/W/83, 26 February 2007, 1, 2.

⁹⁹ WTO, "Minutes of the Meeting, 7 February 2007," WTO Document # WT/GC/M/107, 19 March 2007, 12; WTO, "Minutes of the Meeting, 9 October 2007," WTO Document # WT/GC/M/110, 15 November 2007, 12.

than the one presented to defend its RAM stances. China and other developing nations argued that there are certain agriculture products tied directly to a developing country's well being, food security, and ability to reduce poverty. These products require S&D treatment in the face of developed countries' ability to export to the world market and affect domestic prices.

China first mentioned special entitlements after the 2003 impasse, when commenting on developed nation's proposals for the formulas that would govern tariff reductions. At that time, China noted the formulas proposed would force developing nations with S&D products to make higher cuts than developed members and called not to support it.¹⁰⁰ China's call was also supported through various G-20 statements as well. The G-20 statement in 2005 continued the call for developing nation privileges especially for food security and poverty elimination concerns. The G-20 noted that any final tariff reduction formula had to allow developing countries to make less deep cuts to high tariffs than the developed, and again linked these requirements to developing countries on the basis of food security and quality of life - poverty reduction issues.¹⁰¹ These same points were stressed again in the September 2005, statement by the G-20.¹⁰² In September 2005, the G-20 also put forth its recommended formula for linear tariff reduction amongst the members. It maintained less cuts by developing countries than by developed and maintained S&D for developing countries because of domestic food security issues.¹⁰³

China did not let the G-20 solely speak for its interests in creating product protections for developing countries. During its comprehensive Trade Policy Review conducted in 2006, Beijing ministers dedicated a whole section of remarks usually used for defending domestic policies instead to present its view on the DDA and the requirement of S&D for developing countries to limit market access by developed

¹⁰⁰ WTO, TN/AG/GEN/9.

¹⁰¹ WTO, "G-20 New Delhi Declaration," WTO Document # WT/L/606, 23 March 2005, 2-4.

¹⁰² WTO, "Bhurban G-20 Ministerial Declaration Bhurban, 9-10 September 2005." WTO Document # WT/L/621, 27 September 2005, 3.

¹⁰³ WTO, WT/L/621, 1, 2.

members. It also stated that any formula must reduce high tariffs and that developed countries make more cuts (money-wise) than the developing world.¹⁰⁴ A combined statement from the PRC, India, Pakistan, and Sri Lanka called for the delayed timeline implementation for developing countries as well.¹⁰⁵

Negotiations collapsed in 2006 and China stated in a general meeting, “We strongly urge members, particularly the major developed countries, to consider major movement on domestic support and carry out major reforms on agriculture. At the same time to be more flexible concerning S&D treatment for developing countries.”¹⁰⁶ China continued a call in all its areas of position in spring 2007, with a broad statement that included developing country S&D:

... Finally, it was more than necessary to emphasize that this Round was a Development Round. Its outcome had to deliver developmental benefits to all developing-country Members and help address their specific concerns and needs. Such important issues as S&D treatment, SPs, SSM, cotton, specific concerns of LDCs, SVEs and recently-acceded Members had to be dealt with earnestly, comprehensively and effectively. ... China would, as always, play a constructive role, together with other G-20 and G-33 Members, to ensure that the Doha Round delivered meaningful benefits to all Members, in particular to developing ones.¹⁰⁷

China never backed away from its stance on privileges for developing nations or recently acceded members. It remained committed to negotiating longer implementation periods and other special advantages for both groups and will likely do so in the future.

2. TRQ Stance in Negotiations Prior to 2004

China desired low foreign access to specially designated domestic commodity markets, during the accession process. Having implemented the TRQ scheme, the previous chapter revealed Beijing’s resistance to open further. Prior to 2003, its stance

¹⁰⁴ WTO, WT/TPR/G/161, 16.

¹⁰⁵ WTO, “Communications from the PRC, India, Pakistan, and Sri Lanka,” WTO Document # TN/TF/W/82, 31 March 2006, 3.

¹⁰⁶ WTO, “Minutes of Meeting, 27-28 July 2006,” WTO Document # WT/GC/M/103, 10 October 2006, 62.

¹⁰⁷ WTO, WT/GC/M/107, 12.

on the quota amount reflected this as concern to protect certain products. Its proposal was that the in-tariff amount would never be more than 5% of the *commercial* cereal market and 8-10% on non-cereals. Beijing wanted to limit TRQ to low percentage levels for developing countries, and any rates be calculated based not on total country consumption but only on market consumption—that which is consumed on the farm or locally is exempt.¹⁰⁸

3. TRQ and Negotiations from 2004-2008

While negotiating to join GATT / WTO, China agreed to a TRQ scheme that provided some market accesses in sensitive areas but controlled amounts and tariff rates. To continue along a market liberalization regime, China could eliminate these limitations and open up all TRQ imports at a lower rate. While China did lower and then do away with the TRQ for edible oils in 2006 as agreed to at accession, there were no other formal changes. During the 2004 transitional review, China supported the TRQ system as working well and that it had opened new accesses to Chinese markets to foreign competition.¹⁰⁹ During the 2006 transitional review, China again noted it would not make any changes to the system; even with a product it desperately needed—cotton: “Lastly, regarding the tariff quota for cotton, China believed that providing additional market access opportunities on a voluntary basis in response to special market circumstances was quite different from making new binding concessions. China stated that, at present, it was not in a position to eliminate the tariff quota system in place for cotton.”¹¹⁰

In a 2007 meeting, China again stated its commitment to an intact TRQ system and it appeared it had no plans to change it. “The practice of the past few years shows that the tariff quota system played an important role in food security and stability of the Chinese grains market. So far, China has no plans to terminate the tariff quota

¹⁰⁸ Rosen et al., 9.

¹⁰⁹ WTO, “Summary Report of the Meeting Held on 23 September 2004,” WTO Document # G/AG/R/40, 26 October 2004, paragraph 43.

¹¹⁰ WTO, “Summary Report of the Meeting Held on 31 October 2006,” WTO Document # G/AG/R/47, 22 December 2006, 8.

system.”¹¹¹ The TRQ system in China has never been a point of serious contention afterwards and China will likely retain it as it is the only mechanism it has to protect a few vital commodities.

Maintaining the TRQ system in itself is not a step backwards. At times, Beijing opened imports at the in-tariff rate even when it could have charged a much higher one as noted earlier. The fact the world price for various commodities has remained higher than the domestic one has not really taxed the system to see how China will respond in the face of increased demand to sell to China domestic markets. Also, China has made no other proposal calculating TRQ rates than the one noted by Rosen et al. This indicates China remains committed to low accesses and that rates are calculated not on an overall consumption, but only on those amounts sold on a commercial market.

4. Special Safeguards versus Special Safeguard Mechanism (SSG/SSM)

China was not allowed access to the special tariff protections other nations had received during the Uruguay Round of talks decades earlier. Instead, Beijing was allowed the TRQ process, though the out-tariff rate was not close to some safeguards that allowed significantly higher rates. Prior to 2004, China and other developing nations desired to see the developed nations remove the existing protection system and implement a new one that provided advantage and protection to the developing nation markets. Beijing called for the elimination of the existing Special Safeguards (SSG) system that favored developed members. The old SSG system applied only to members that transitioned to the overarching tariff system during the Uruguay Round of talks and only on those products members converted to the overarching system. Most of the developing world did not transition at that time, including China and India, so they were not eligible for SSG protections.¹¹² Beijing supported the proposal to create a new Special Safeguard Mechanism (SSM) that benefited developing members. A new SSM

¹¹¹ WTO, “Summary Report of the Meeting Held on 28 March 2007,” WTO Document # G/AG/R/48, 6 July 2007, 15.

¹¹² Higher safeguard duties are applied to imports on a product when the import volume rises above a certain level, whether or not serious damage is done to that products domestic market.

would protect developing member markets with increased import duties when the international market became unstable or could potentially damage the developing country's market.

In 2004, China highlighted the importance of the SSG/SSM issue. In 2005, Beijing maintained the identical position of the G-20.¹¹³ The G-20 statement specifically called for a new SSM scheme based on food and livelihood security coupled with rural development.¹¹⁴ China went back on record during the Trade Policy Review in 2006 to provide its stance on a range of issues—one calling for support of the new SSM scheme:

China supports the elimination of all kinds of export subsidies provided by developed Members, substantial reduction of trade-distorting domestic support, and significant reduction of tariff peaks and tariff escalation in developed Members. Meanwhile, there should be effective solution of the specific concerns of developing Members relating to special products and special safeguard mechanism.¹¹⁵

After the collapse of talks in 2006, China maintained its position and also supported the statement made by the G-33 regarding the “core development instruments such as Special Products and the Special Safeguard Mechanism.”¹¹⁶ Later in the same meeting it made its own statement after it first backed up the G-33 statement. It reaffirmed:

In discussing market access for agricultural products, one should always bear in mind the different roles that agriculture played in developed and developing-country economies. For the latter, agriculture was the basic means of survival for billions of subsistence farmers. Therefore, the legitimate concerns of developing-country Members on Special Products and the Special Safeguard Mechanism had to be fully addressed.¹¹⁷

¹¹³ WTO, “Minutes of Meeting, 17-18 May 2004,” WTO Document # WT/GC/M/86, 30 June 2004, paragraph 80.

¹¹⁴ WTO, “G-20 New Delhi Declaration,” WTO Document # WT/L/606, 23 March 2005, 2-4; WTO, “Bhurban G-20 Ministerial Declaration Bhurban, 9-10 September 2005,” WTO Document # WT/L/621, 27 September 2005, 2-3.

¹¹⁵ WTO, WT/TPR/G/161, 16.

¹¹⁶ WTO, “Minutes of the Meeting, 14-15 December 2006,” WTO Document # WT/GC/M/106, 1 March 2007, 19.

¹¹⁷ WTO, WT/GC/M/106, 19.

China continued a call in all its areas of position in spring 2007,

Finally, it was more than necessary to emphasize that this Round was a Development Round. Its outcome had to deliver developmental benefits to all developing-country Members and help address their specific concerns and needs. Such important issues as S&D treatment, SPs, SSM, cotton, specific concerns of LDCs, SVEs and recently-acceded Members had to be dealt with earnestly, comprehensively and effectively. ... China would, as always, play a constructive role, together with other G-20 and G-33 Members, to ensure that the Doha Round delivered meaningful benefits to all Members, in particular to developing ones.”¹¹⁸

In May 2007, China continued to highlight the importance of an effective SSM and its role in food security.¹¹⁹ China never backed down on its call to remove the SSG and implement a new system that benefited developing nations. This was one of the points of contention in 2008, when the trade talks collapsed.

Once again, China did not back away from its 2003 stance. As this issue is tied directly to developing nations’ special privileges, it is unlikely to walk away from this stance in the future.

B. EXPORT SUBSIDIES

China’s negotiations stances in the export subsidies pillar have similar themes as the previous one. Prior to 2004, Beijing desired a significant reduction in existing export subsidies amongst member nations and wanted an extended implementation timeline for developing nations (six instead of three years). As part of the G-20, Beijing has also requested negotiations to commence on the complete elimination of all export subsidies by all members, not just reductions over time.¹²⁰

China stated it had eliminated all export subsidies, and probably did so by 2006. Evaluation of land use and export of corn in an earlier Section provided compelling evidence that China indeed eliminated its last export subsidy. In negotiations since 2004, it never backed away from its export subsidies stance, either in solo statements or when it

¹¹⁸ WTO, “Minutes of the Meeting, 7 February 2007,” WTO Document # WT/GC/M/107, 19 March 2007, 12.

¹¹⁹ WTO, “Minutes of Meeting, 9 May, 2007,” WTO Document # WT/GC/M/108, 26 June 2007, 25.

¹²⁰ Rosen et al., 11.

supported one of the various trade negotiations alliances. In multiple statements between 2003 and trade talk collapses in 2008, it called for the elimination of export subsidies.

The G-20 called for elimination in late 2003 and China's statement both supported the G-20 and added that a specific date be set for export subsidies to end world wide.¹²¹ Beijing made similar statements in 2004 and in 2005.¹²² The G-20 also called for a halt on increased export subsidies that it perceived emerging in the spring of 2005 and again called all members to eliminate all export subsidies.¹²³ In September 2005, the G-20 again called to halt the increase and eliminate all export subsidies within five years.¹²⁴ During its Trade Policy Review in 2006, and then again in general statements at council sessions in 2007, Beijing continued its call for all members to move to eliminate all export subsidies.¹²⁵

The 2004 developed nation subsidy distortions Rosen et al. noted continued to polarize the negotiations field. China would not back away from this issue from 2004 to 2008, and will likely not drop the issue in the future. Having eliminated these subsidies, it is in Beijing's best interests to get other nations to eliminate them as well.

C. DOMESTIC SUPPORTS GOVERNANCE AND ELIMINATION

As mentioned in the previous Section, this is the most difficult pillar to study for it encapsulates all trade distortions not located in the other pillars and is dependent on government transparency and self-reporting. To further complicate the third pillar, negotiations often focus not on reducing the box amounts, but on squabbles between countries over definitions. How a member's domestic support program was classified is important because all supports that fall into the Amber Box are totaled, generating the

¹²¹ WTO, "Minutes of Meeting, 15-16 December 2003," WTO Document # WT/GC/M/84, 27 February 2004, paragraph 19.

¹²² WTO, "Minutes of Meeting, 17-18 May 2004," WTO Document # WT/GC/M/86, 30 June 2004, paragraph 80; WTO, "Minutes of Meeting, 22 October 2004," WTO Document # WT/GC/M/89, 10 November 2004, paragraph 43; WTO, "Summary Report on the Meeting of the Sub-Committee on Cotton Held on 16 and 28 February 2005," WTO Document # TN/AG/SCC/R/1, 18 March 2005, 6.

¹²³ WTO, "G-20 New Delhi Declaration," WTO Document # WT/L/606, 23 March 2005, 2-4.

¹²⁴ WTO, WT/L/621, 1.

¹²⁵ WTO, "Trade Policy Review: Report by the PRC," WTO Document # WT/TPR/G/161, 17 March 2006, 16; WTO, "Minutes of Meeting, 9 May 2007," WTO Document # WT/GC/M/108, 26 June 2007, 25.

AMS figure. AMS can only be a certain percent of the gross value of domestic agriculture production and going above the percentage negotiated during the Uruguay Round violates the WTO agreement.

1. Domestic Support Negotiations Prior to 2003

Between accession and 2004, China maintained its stance advocating developing member exceptions while pushing for developed nation reform. It advocated returning all Blue Box programs back into the Amber Box and reducing the 5% AMS limit applied to developed nations. Negotiators also called for better definitions and higher standards to aid in reforming and eliminating programs in the Green Box. Rosen et al. summoned up the Chinese position in this pillar as “a proponent of robust reform and reduction in domestic support.”¹²⁶ China reinforced its position through G-20 statements as well; the G-20 requested specific product reductions within the AMS system, reduction in allowed percentages of the various boxes, and better definitions and standards for the Green Box.¹²⁷

2. Domestic Support Negotiations Maintained through 2008

China’s use of domestic supports and the statements its ministers made from 2004-2008 have roughly corresponded with one another though it is important to repeat that China has not reported any official domestic support numbers for any year after 2001. As with the SSG/SSM debate, only certain countries have access to the Blue Box; newly joined countries do not gain access. China has much to gain from developed countries elimination of distorting supports. It is not surprising then to see that China has maintained an elimination stance.

In 2004 and 2005, China called for a deadline for substantial reductions in both Amber and Blue Box supports and then reaffirmed it would not go above the limits it had

¹²⁶ Rosen et al., 13.

¹²⁷ Rosen et al., 14.

placed on itself with the AMS system.¹²⁸ The G-20 discussed its position in 2005, and called twice for better governance and definitions for Blue Box and Green Box (supports that are not product specific and do not distort trade) areas and insisted developing nations should not face reductions in the current level of AMS.¹²⁹

China again laid out its position in 2006 after trade talks collapsed, highlighting reduced domestic supports and subsidies as a corner stone of its stance:

We strongly urge members, particularly the major developed countries, to consider major movement on domestic support and carry out major reforms on agriculture. ... This is a development round and agriculture lies in the centre of the whole round and the removal of trade distortion in agriculture caused by the enormous agriculture subsidies is the essential task for this round. Unless this issue is properly address there cannot possibly be a success of the round.¹³⁰

It again repeated this stance in October 2007. During its annual trade review in December 2007, Beijing noted that it had provided no AMS qualifying monies in 2007 and called for the developed world to improve. It is not surprising then that China continued its focus on domestic support elimination at Geneva in July 2008.¹³¹ With its commitment to stances benefiting the developing members, it will continue to call for a reduction and/or elimination of developed members domestic supports for the foreseeable future.

¹²⁸ WTO, "Minutes of Meeting, 15-16 December 2003," WTO Document # WT/GC/M/84, 27 February 2004, paragraph 49; WTO, "Minutes of Meeting, 17-18 May 2004," WTO Document # WT/GC/M/86, 30 June 2004, paragraph 80; WTO, "De Minimis Support, 1 February 2005," WTO Document # TN/AG/S/16, 1 February 2005, Annex 3.

¹²⁹ WTO, "G-20 New Delhi Declaration," WTO Document # WT/L/606, 23 March 2005, 2-4; WTO, WT/L/621, 1.

¹³⁰ WTO, "Minutes of Meeting, 27-28 July 2006," WTO Document # WT/GC/M/103, 10 October 2006, 62.

¹³¹ WTO, "Minutes of the Meeting, 9 October 2007," WTO Document # WT/GC/M/110, 15 November 2007, 12; WTO, "Minutes of Meeting, 18 December 2007," WTO Document # WT/GC/M/112, 4 March 2008, 11,14.

D. CHINA AND THE SUB-COMMITTEE ON COTTON

Cotton is a new area to consider since the Rosen et al. report. At Cancun in 2003, various members argued whether the issues surrounding cotton should be maintained within agriculture or if it should fall out into the greater trade arena. By 2004, it was commonly agreed that cotton would be dealt with under agriculture by a special sub-committee. This sub-committee focused both on the trade issues and the domestic development issues that surround the commodity. China has been an active member of this negotiation forum and its negotiations since 2004 provided a new area within agriculture to be used to determine how consistent its negotiations are for such an important commodity.

China's negotiations in the agriculture Sub-Committee on Cotton (SCC) also provide another area to evaluate China's agriculture reforms and commitment to trade liberalization. China is the world's largest consumer of international cotton and is the largest textile exporter in the world. China's cotton fields cover almost 30 million hectares of arable land tilled by 100 million farmers. Tens of millions more work in producing textiles for world markets. Cotton is the one crop that provides subsistence to the rural poor and is a primary input driving China's light industry. It is then expected that China would maintain a negotiations stance that limited international price distortions. Cotton is one primary product that Beijing cannot afford to compromise.

In December 2003, China called for the resolution of the cotton issue in the general meeting and subsequently agreed to participate in the SCC. At the first SCC meeting in 2005, China supported African cotton producers' statement and used the meeting to call to eliminate not just cotton but all subsidies. At later meetings it again called for elimination of domestic support that distorted trade by the developed nations "to protect the interest of cotton farmers in developing country Members whose livelihood depends on cotton."¹³² In 2005, Beijing also went on the record to support

¹³² WTO, "Summary Report on the Meeting of the Sub-Committee on Cotton Held on 16 and 28 February 2005," WTO Document # TN/AG/SCC/R/1, 18 March 2005, 6; WTO, "Summary Report on the Third Meeting of the Sub-Committee on Cotton held on 24 April 2005," WTO Document # TN/AG/SCC/R/3, 16 June 2005, 13-14.

India's statement, which had called for the same changes.¹³³ With no resolution at the end of 2005, China pointed out that it had started working with African countries to export cotton to the Chinese markets through a holistic program to include debt forgiveness, aid, and education.¹³⁴

China maintained its stance in 2006, continuing to call for developed nations to eliminate domestic supports to cotton, keeping in mind the problems of security and employment and social stability in developing countries. It was making similar pleas in other areas of negotiations and the SCC acted as another platform to maintain its position.¹³⁵ The G-20 in 2007, also mirrored China's cotton stance and called for the elimination of subsidies and specifically recalled the decision previously in Hong Kong; "the elimination of all forms of export subsidies granted to cotton by developed countries."¹³⁶ China then took up that call at the May 2007 general meeting when it attacked the current SSG system. Beijing noted the lack of movement by developed countries on the issue of subsidies, how SSM plays a vital role in food security issues and the issues of the African cotton producers.¹³⁷ China's cotton negotiations in no way deviated from its other agriculture stances.

China's negotiation stance in cotton mirrored its stances in the three trade pillars. It can ill-afford to allow itself to be disadvantaged by the world trading system. There is the potential of alliance fragmentation. China is the world's largest user of cotton because of its textile industry. It is in China's textile interests to keep the price of cotton low, thus affecting the quality of life of Africa cotton farmers. If there is no headway on

¹³³ WTO, "Summary Report on the Fourth Meeting of the Sub-Committee on Cotton held on 22 June 2005," WTO Document # TN/AG/SCC/R/4, 13 July 2005.

¹³⁴ WTO, "Summary Report on the Eighth Meeting of the Sub-Committee on Cotton Held on 18 November 2005," WTO Document # TN/AG/SCC/R/8, 2 March 2006, 12.

¹³⁵ WTO, "Summary Report on the Eleventh Meeting of the Sub-Committee on Cotton Held on 27 March 2006," WTO Document # TN/AG/SCC/R/11, 6 October 2006, 14.

¹³⁶ WTO, "High-Level Session on Cotton, 15-16 March 2007," WTO Document # TN/AG/SCC/GEN/9, 26 March 2007, 1, 2.

¹³⁷ WTO, "Minutes of Meeting, 9 May 2007," WTO Document # WT/GC/M/108, 26 June 2007, 25.

leveling the advantage the developed world holds in subsidies, supports, and tariff protections, cotton could be the product that will face China against other developing nations.

E. 2008 TRADE TALK COLLAPSE IN GENEVA

On 21 July 2008, the world's trade ministers commenced yet another round of agriculture trade talks in Geneva, attempting to finally close the DDA. A week later the trade negotiations appeared to have stalled. One of the first indications that little compromise had occurred was when Zhang Xiangchen, head of the WTO Affairs of the Chinese Ministry of Commerce, accused the United States of demanding that developing nations agree to lower their legally existing tariffs before the United States would end its illegal trade distorting subsidies in cotton.¹³⁸ An old argument that had surfaced again and again over the last four years in all areas of agriculture negotiations remained undecided. Additionally, the call to eliminate the developed world's SSG and develop a SSM that protected developing world farm markets came to the forefront of issues with no compromise. A consensus could not be reached between India and the United States on what price increase percent would trigger the SSM for a developing country and how high the tariff response could be.¹³⁹ After the collapse of talks, India and China's trade ministers concurred that the United States looked to enhance its access to developing nation's markets while India and China were looking out for the interests of farmers' livelihoods. The United States countered with concerns that the triggering point on the SSM for developing nations was set too low, and that India and China were the main impediments to trade talk progress.¹⁴⁰ In any case, China and India's concerns over subsidies and their call to develop a new SSM agreement were not new.

¹³⁸ Xinhua, "China Refutes U.S. "absurd arguments" on Cotton," *Xinhua News Agency*, 28 July 2008. http://news.xinhuanet.com/english/2008-07/29/content_8829719.htm (accessed February 2009).

¹³⁹ CNN, "WTO Global Trade Pact Derailed," *CNN MONEY ONLINE*, 29 July 2008. http://money.cnn.com/2008/07/29/news/international/trade_talks.ap/index.htm?postversion=2008072913 (accessed July 2008); Xinhua, "Chinese Minister Expresses "deep regret" over Trade Talks Failure," *Xinhua News Agency*, 29 July 2008. http://news.xinhuanet.com/english/2008-07/30/content_8846020.htm (accessed February 2009).

¹⁴⁰ BBC, "Fears for Collapse of Trade Talks," *BBC Online*, 29 July 2008; BBC, "Dismay at Collapse of Trade Talks," *BBC Online*, 30 July 2008. <http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7532302.stm> (accessed February 2009).

But there was one other level to this derailment. The New York Times wrote after the trade talks collapsed:

Since joining the W.T.O. in November 2001, China has been an outspoken defender of free-trade principles. It has been especially critical of the United States, for example, for invoking so-called safeguard rules to prevent an increase of Chinese textile imports that threatened to put American manufacturers out of business. But this week, China allied itself with Indian negotiators in insisting on safeguard rules for agriculture, and sought to require that developing countries be allowed to impose prohibitively high tariffs on food imports from affluent countries to halt increases in imports that might put farmers in poor countries out of business. When the United States and other food exporters refused to accept the Chinese and Indian positions, the talks broke down.¹⁴¹

Should the United States have been surprised when China backed India's position? Evaluating China's positions in negotiations and in official positions as already documented, and comparing them to statements made by India and the G-20, indicate that China was in India's corner from the beginning and spoke publicly to aid a trade ally.

F. CHINA, THE G-20, AND OTHER WTO ALLIANCES

Not to appear recalcitrant and impede negotiations with its own trade demands, China showed its commitment to agriculture talks when it became a part of the nascent G-20 negotiation group.¹⁴² China needed to join a camp of negotiations rather than try to go at its demands alone; allying with a group of similarly interested countries to reach a common goal also insulated China from being singled out and criticized for a proposed stance. Rosen et al. found that by belonging to the group China had actually accepted a middle road with regard to tariff decreases. Beijing noted dismay over how various G-20 members had behaved after the failed negotiations in Cancun and People's Daily press

¹⁴¹ Keith Bradsher, "China's Shift on Food was Key to Trade Impasse," *New York Times Online*, 31 July 2008. <http://www.nytimes.com/2008/07/31/business/worldbusiness/31trade.html> (accessed February 2009).

¹⁴² The group has also been titled the G-22 based on the number of members upon creation—but since the membership numbers have changed over time the common moniker for the group is the G-20, referring to the date it officially formed—20 August 2003.

questioned the validity of Chinese membership.¹⁴³ How China positioned itself and maneuvered in negotiations between 2004 and 2008 with the G-20 could also determine where China desired to go regarding the market.

When evaluating China's stances in agriculture, and then looking at the G-20 statements at the same time it is clear to see how close China's stances are with those of the G-20. As discussed above, regarding special privileges, SSG/SSM, export subsidies, domestic supports, and in cotton the two share the same stances. The G-20 gave developing members an avenue to present formula proposals on modalities from within a unified position without first presenting them as a single member. (The assumption remains that any proposal presented was previously negotiated inside the group and has the approval of every member.) By presenting such proposals from a unified front it insulated China from critical responses. From this position, specific developed nations' policies can also be attacked; again providing a degree of separation and not risk being singled out in critical responses.

One example of critical behavior regarded modalities. The G-20 in 2004, attacked the United States and European Community supported modality formula on tariff reductions and then later presented one more amiable to developing nations.¹⁴⁴ The G-20 also singled out the proposed United States Farm Bill in 2007, and was very critical of the amount of subsidies it allowed. In this same statement, "there was still a need to see movement by the major players in domestic support and market access," and called for the elimination of export subsidies.¹⁴⁵ China did not have to open itself up to criticism by submitting a formula proposal on its own or attacking the U.S. Farm Bill on its own.

¹⁴³ Rosen et al., 17.

¹⁴⁴ WTO, "Communication from the G-20, 7 May 2004," WTO Document # TN/AG/GEN/9, 7 May 2004.

¹⁴⁵ WTO, "Minutes of the Meeting, 7 February 2007," WTO Document # WT/GC/M/107, 19 March 2007, 4.

In December 2007, the G-20 set the stance from which India and then China would argue from in Geneva in 2008:

...The range and complexity of the distorting policies applied by developed countries required comprehensive solutions in export competition, domestic support and market access. Partial movements and in each pillar were not sufficient to ensure meaningful or acceptable results in the negotiations. Developed countries were accountable for the main distortions and restrictions in agriculture.¹⁴⁶

The fact then that China backed India openly in the 2008 negotiations should not have surprised anyone. China and India allied themselves five years previously within the G-20 and continued to echo each other's positions in many forums. Neither China, nor India can ill afford to abandon the G-20, for it provides a balance to the developed nations that no one country within the G-20 can accomplish. India, China, Brazil, and South Africa, as the four largest G-20 countries, together exported \$1.6 trillion and imported \$1.4 trillion worth of goods and services in 2007. The United States, in comparison, exported \$1.2 trillion and brought in \$2.0 trillion the same year. Germany, as the largest trade member of the EU, exported \$1.3 trillion and purchased \$1.1 trillion in goods and services.¹⁴⁷ The G-20 provides its members a comparable market interest as the top developed members of the WTO.

Since the 2004 Rosen et al. report, it appeared China had become more adept on the world negotiations stage. Its stances, though, do not appear to be about continued domestic reform but instead have become more outward focused; looking for trade liberalization and market access in foreign markets. Interestingly, in the last five years, its negotiations stances have been echoed by other member states and the G-20. But is that the end of the trend or is China working in other alliances as well?

¹⁴⁶ WTO, "Minutes of Meeting, 18 December 2007," WTO Document # WT/GC/M/112, 4 March 2008, 16.

¹⁴⁷ WTO, "World Trade Report 2008," Appendix Table 1 & 2. Available online at http://www.wto.org/english/res_e/reser_e/wtr08_e.htm (accessed February 2009).

WTO meeting minutes and various member proposals document increased support to the G-20 and China's position since 2004. In March 2005, the G-20 indicated it was participating at some level with other informal negotiations groups to coordinate the development dimension of the DDA:

Ministers emphasized that the G-20 is actively engaged in an intense dialogue with other Groups and individual Members. In this regard, G-20 Ministers welcomed the invitation to the Coordinators of the Africa Group, ACP Countries, CARICOM, G-33 and LDCs to the meeting. Ministers strongly believe that such coordination will contribute significantly towards realizing the development dimension of the Doha Work Programme. In this regard, Ministers cautioned against any move that would create divisions among developing countries, including through further categorization.¹⁴⁸

The G-20 statement to the WTO in September 2005, again emphasized it was meeting with other organizations:

Ministers stressed the need to give priority to strengthening alliances between the G-20 and other developing country groups. Ministers welcomed the invitation to the coordinators of the G-33, Least Developed Countries (LDCs), the African Group, ACP countries, and CARICOM. Ministers emphasized that the G-20 should continue to work together with other groups, including the G-90, and individual Members with the aim of strengthening convergences and ensuring that the development dimension of the Doha work programme is achieved.¹⁴⁹

At the end of 2005, Paraguay, on behalf of the Informal Group of Developing Countries, placed similar demands on developed countries that have already been mentioned earlier. It did not mention other organizations:

... it is regrettable that negotiations in [agriculture] remain at a stand-still due to the unwillingness by some developed country Members to put in place agricultural reforms that would significantly improve the conditions of access to their markets by products from the majority of developing countries. This lack of progress and the lack of meaningful proposals that would improve the conditions for access to the markets of developed countries shows a lack of will in complying with the development

¹⁴⁸ WTO, "G-20 New Delhi Declaration," WTO Document # WT/L/606, 23 March 2005, 5.

¹⁴⁹ WTO, WT/L/621, 3.

objectives as stated in the Doha Ministerial Declaration. ... We have seen only limited progress on the part of the developed countries in eliminating the use of tariff peaks and tariff escalation.¹⁵⁰

After talks collapsed in 2006, the G-20 again referred to the common cause of the various existing organizations and that these groups had met after the collapse:

The representative of Brazil, on behalf of the G-20, said that when the G-20 Ministers and other developing-country group coordinators—for the G-33, the ACP countries, the LDCs, the SVEs, the C-4, and the NAMA-11—had met in Rio on 9 September, they had deeply regretted the suspension of the DDA negotiations.¹⁵¹

The following spring, China also announced it would work with many of the organizations to bring about a successful conclusion to the DDA negotiations.

...it was more than necessary to emphasize that this Round was a Development Round. Its outcome had to deliver developmental benefits to all developing-country Members and help address their specific concerns and needs. Such important issues as S&D treatment, SPs, SSM, cotton, specific concerns of LDCs, SVEs and recently-acceded Members had to be dealt with earnestly, comprehensively and effectively. ... China would, as always, play a constructive role, together with other G-20 and G-33 Members, to ensure that the Doha Round delivered meaningful benefits to all Members, in particular to developing ones.¹⁵²

In March 2007, the G-20 mentioned that it and/or some of its membership were ready to look at other forms of cooperation with cotton producers in Africa, *possibly outside the WTO agreement*:

...the G-20 recalls that several of its Members have been extending assistance to the [Cotton-4] and other cotton-producing countries in Africa. Those countries and other G-20 Members wish to indicate their

¹⁵⁰ WTO, "Communication from the Informal Group of Developing Countries," WTO Document # WT/MIN (05)/32, 18 December 2005, 1,2.

¹⁵¹ WTO, "Minutes of the Meeting, 14-15 December 2006," WTO Document # WT/GC/M/106, 1 March 2007, 12-13.

¹⁵² WTO, "Minutes of the Meeting, 7 February 2007," WTO Document # WT/GC/M/107, 19 March 2007, 12.

willingness to explore with beneficiary countries other forms of cooperation, either bilaterally or through the African Union.¹⁵³

In December 2007, at the WTO general meeting, the various representatives presented statements to the floor that looked to set the negotiations platform to be used by China and India in Geneva in 2008. First Brazil spoke for the G-20 and said, “The G-20 would continue to work closely with other developing countries with a view to achieving a timely, balanced and proportionate outcome that was acceptable to all.”¹⁵⁴ Then, Indonesia, as the representative for the G-33 spoke:

There had been no strong signs or indication by other Members that they were willing to move and to make new significant contributions in the crucial areas of these negotiations, including, and especially, on Special Products and the Special Safeguard Mechanism. ...It should also be clear that the G-33 was firm as well as united, and would be in a very difficult position to consider and join any consensus if its concerns and interests on SPs and SSM were not completely addressed. ... Once again, the G-33 called on all Members, in particular the major developed countries, to show the necessary flexibility required for the successful and meaningful outcome of the agriculture negotiations.¹⁵⁵

Then South Africa spoke for NAMA-11, which worked outside agriculture but spoke to agriculture in its group statement. It appeared NAMA-11 was prepared to harden its negotiations in areas outside agriculture and not negotiate until agriculture concerns were addressed by the developed nations:

...It was clear that one could not prejudge the ambition in NAMA while the ambition in Agriculture had not been settled. As the NAMA-11 had stated before, it was only fair that those developed-country Members who wanted a high level of ambition in NAMA should earn it by, among other things, making real cuts in their agricultural tariffs and trade-distorting subsidies, and agreeing to a tariff cap and the elimination of the SSG, before demanding onerous commitments by developing countries in NAMA.¹⁵⁶

¹⁵³ WTO, “High-Level Session on Cotton, 15-16 March 2007,” WTO Document # TN/AG/SCC/GEN/9, 26 March 2007, 3.

¹⁵⁴ WTO, “Minutes of Meeting, 18 December 2007,” WTO Document # WT/GC/M/112, 4 March 2008, 17.

¹⁵⁵ WTO, WT/GC/M/112, 18-19.

¹⁵⁶ WTO, “Minutes of Meeting, 18 December 2007,” WTO Document # WT/GC/M/112, 4 March 2008, 21.

China spoke much later in the meeting after other groups had presented statements supporting the developing member nations.

China supported the statements by Brazil for the G-20, Indonesia for the G-33 and South Africa for the NAMA-11, as well as the statements by Uganda for the African Group, Jamaica for the ACP, Lesotho for the LDCs and Barbados for the SVEs. ... it hoped other Members—particularly the major developed countries—would show flexibilities... Development issues such as Implementation, S&D treatment, SP and SSM, Cotton, Trips and CBD, specific concerns of LDCs, SVEs and recently-acceded Members should be dealt with earnestly and effectively.¹⁵⁷

A common stance and references to other developing nations was not an anomaly. China continued this trend in the spring of 2008 during its trade policy review:

...the special concerns of G20, G33, NAMA 11, the LDCs, the SVEs, the Cotton 4, the ACP Group, the African Group, RAMs and other developing country groupings should be effectively addressed in this Round.¹⁵⁸

The same day in the general meeting China drew further references to the developing nations and the various trade negotiations teams:

Development issues such as SPs, SSM, cotton, specific concerns of LDCs, SVEs and RAMs had to be dealt with earnestly, comprehensively and effectively. ...China together with many other developing countries strongly urged that text-based negotiations on [outstanding implementation issues] be started immediately, and that the outcome be an integral part of the final single undertaking result of the DDA.¹⁵⁹

Three months later, China would be blamed in western press for siding with India and destroying any progress made at the agriculture talks in Geneva. Based on a review of the statements made by many developing countries, either alone or through a formal negotiations group, China and India's position as stated in the G-20 statements had gained considerable support. While the individual trade ministers were blamed for the collapse, the positions they took had already been established and supported by the

¹⁵⁷ WTO, WT/GC/M/112, 41.

¹⁵⁸ WTO, "Trade Policy Review: Report by China," WTO Document # WT/TPR/G/199, 7 May 2008, 18-19.

¹⁵⁹ WTO, "Minutes of the Meeting, 7 May 2008," WTO Document # WT/GC/M/114, 27 June 2008, 10.

developing members. Looking at the statements of various trade group representatives clearly shows China and the G-20 have allied themselves with more and more developing nation groups.

When looking just at China negotiation stances after 2004 it did not appear that much changed from that laid out in *Roots of Competitiveness*. China remained committed to securing special treatments for developing nations and recently acceded nations, would not further negotiate its TRQ system, and desired the elimination of the advantage secured by developed nations through the SSG. While amounts and values are possibly up for negotiation, the root issues are not and will likely remain on the negotiations table for the foreseeable future. The most significant finding from examination of trade negotiations after 2004 is the number of developing nation groups that support China and India. While the stances did not change, alliance participation and growing inclusion with other developing nations has emerged.

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V. IMPLICATIONS AND CONCLUSIONS

Would Beijing continue trade liberalization after the failed WTO agriculture negotiations in 2003, 2006, and 2008? Rosen et al. assessed trade liberalization would continue.¹⁶⁰ How would Beijing react in the interim while world negotiators faced off over subsidies, domestic supports, and the modality to be used to decide final tariff rates? Rosen et al. concluded a wide ranged liberal agreement would benefit China most for it would require the same deep reforms China went through to other market economies and remove many of the advantages the developed nations have accumulated through years of negotiations. When looking at the domestic angle of trade liberalization since 2004 in the areas studied by Rosen et al., little has changed and further change is probably not expected. International negotiations stances regarding the three pillars of agriculture also have not changed since 2004 and have become more complex. What are the implications of little change in domestic or international negotiations areas?

A. DOMESTIC IMPLICATIONS

The market access, export subsidies, and domestic support trade pillars all changed little since 2004. In market access, tariff rates and TRQ study are probably not the best way to continue to evaluate trade liberalization in China. For export subsidies, the same observation holds true once China eliminated subsidies in corn. Finally, different factors must be found to determine how China is supporting its agriculture sector that does not depend on member reporting.

1. Market Access

China continues trade liberalization, just not within Rosen et al.'s measurable factors. Tariff rates and rates adjustments to meet the TRQ scheme are no longer a sufficient measure of market liberalization in China. China attained a final bound rate of 15.3% for WTO agriculture products in 2005, five years ahead of schedule and met its obligations with edible cooking oils in 2006. It no longer had to change to meet its WTO

¹⁶⁰ Daniel Rosen, Scott Rozelle, and Jikun Huang, *Roots of Competitiveness: China's Evolving Agriculture Interests*, (Washington, DC: Institute for International Economics, 2004), 2.

accessions agreements and past statements by its trade ministers suggest further change in this area is unlikely. Under the agreement, it is allowed to protect its rice, sugar, corn, and cotton industries at some level as long as it allows market access through the quota system. While there have been some concerns about unfilled quotas and their reallocation, the whole scheme has been under-used while international prices were higher than Chinese domestic ones.

Because Beijing attained WTO market access goals well ahead of schedule, import tariff rates no longer provide the same overall trend of trade liberalization indications used by Rosen et al. In 2008, in the midst of a food crisis, various export countries protected their domestic market price by enacting export restrictions. Studying the use of export tariffs and quotas could potentially provide future analysts with new ways to analyze changes in market access and liberalization trends. The institutions that regulate trade could also provide a better area of study than the simple tariff rate amount. As these institutions transition away from heavy government influence perhaps domestic business will start to have more control. Tariff rates are no longer the key indicator for trade liberalization; perhaps the institutions affected by them will now provide better ways to analyze Chinese trade.

2. Export Subsidies

Export subsidies also lack any overarching numbers or commodities to study regarding China. The fact that China has no agriculture export subsidies makes it one of the most liberal trade regimes in the world, something that even the United States and the European Union cannot match. But because there are no official subsidies does not mean that the pillar does not remain one that needs to be examined. As shown in Chinese corn, even as China stated it had no subsidies on corn, land use showed differently. Land use remains a key indicator for potential distortions and should be looked at to determine if China has reversed course now that it has attained a market undistorted by export subsidies.

3. Domestic Supports

The domestic support pillar provides the one negative mark in the trade liberalization study. China has provided no official domestic support data since 2004, and the data Beijing did provide only covered 1999-2001. Since then China has put off calls to provide updated numbers. Beijing agreed to an AMS limit lower than the one offered, 8.5% instead of 10%. Rosen et al, after reviewing the data provided for 1999-2001, suggested the actual AMS rate was probably much lower than that. Since then, agriculture budgets increased substantially, rising from Yuan 123 billion in 2000 to Yuan 563 billion in 2008 with additional agriculture subsidies mentioned throughout the time period to curb or overcome the effects of disasters and weather. Beijing is either surprised or embarrassed to see that its AMS rate was above its self-imposed limit of 8.5% or that it simply cannot tabulate nor account for where all the money has gone to in the rural sector. Assuming Beijing has been able to calculate the numbers and account for the money, it is then either waiting until its AMS rate is below 8.5% or until releasing numbers for early years is irrelevant. Beijing will be recalcitrant in releasing any embarrassing numbers until the WTO has provided an incentive to do so; up until now the WTO has not provide Beijing with one.

4. Food Crisis 2008 and Beijing's Reaction Evaluated

Outside the three pillars but with the domestic realm, one activity does warrant further discussion. Beijing's reaction to the 2008 food crisis showed that while it embarked on trade liberalization, the state still existed and could exert rapid and effective control. Private fertilizer companies could not export and take advantage of rising world prices. The grain trade experienced similar conditions. The state had exerted controls in such a way to keep domestic prices low without actually nationalizing private enterprises. China's reactions to the food crisis revealed that China remained ready to reverse trade liberalization as soon as it began to adversely affect the Chinese people and social stability though price instability. Beijing will only allow market liberalization as long as the benefit to society exists. Once a threat exists, it will act to maintain social stability. It should be emphasized though that the Chinese government acted within the mechanisms

of the market to control trade and did not just nationalize the necessary areas. Its reaction was fairly transparent and open to the rest of the WTO membership and when the crisis abated, it relaxed its controls. While the reaction was protectionist, it does show that China has come along way from its crazed days of a controlled economy. As institutions are strengthened and players other than the CCP gain power to influence the government, such reactions could be harder to implement in the future.

B. NEGOTIATIONS IMPLICATIONS

China's negotiations stances in WTO agriculture negotiations were not expected to change much in the last five years. China maintained a consistent stance in market access areas, export subsidies, and in domestic supports. Over the five year period, the stances appeared to harden as they have gained support by other developing member nations. Rosen et al. predicted some of these stances would change; they have not.

1. Market Access

China did not back away from its support of developing member nations and recently acceded nations in negotiations. This is not surprising given the amount of change China has embraced to join the WTO. China's position called for extended timelines and gradual reductions for developing nations. Beijing also called for an extra extension for recently acceded members, as these nations have embraced more in-depth changes than have other members. In essence, China's overall timeline for change is one where developed nations lower their tariffs first, and then developing nations gradually meet the tariff level attained by the developed nations. Only after developed and developing nations have lowered their tariffs will recently acceded members (China included as a RAM) meet that level. With hypothetical numbers to illustrate the idea: All WTO members agree to a tariff reduction and all begin to reduce tariffs. Developed nations reach the mark in three years, developing nations reach it in five years, and the recently acceded nations reach the mark in ten years (China has presented a proposal asking for an additional five years). These gradual reductions would allow developing country markets to slowly adapt to the changed market access.

In theory this gradual reduction would work except China, India, and most of the developing world have asked for special and differential treatment on certain products. These few products requested would be protected with a different set of tariff rules. Unfortunately, the products listed are those agriculture products the developed world also produces. So whatever modality is agreed to would not widely open market access to the specific products developed members desire to export because of these requested protections. China's combined stance on these two issues makes any formal resolution difficult to attain. The developed world has little to gain by opening their markets if their exports are to be met by higher tariffs; so a stalemate in negotiations will likely occur based on the requested protections. Having gained support from the developing world though, China is unlikely to change its stance in the future as well.

2. Export Subsidies

China's negotiation stance on export subsidies has not changed either, nor was it expected to. Beijing eliminated all export subsidies and has nothing to gain by allowing other members to maintain such subsidies. Subsidies artificially lower the price on the world market, making other countries' exports worth less. Tied to the above market access argument, it gives that product an unfair advantage and allows a foreign producer to take more of a domestic market share; it grants artificial market access. In the five years studied, 2004-2008, China repeatedly called for an elimination of these subsidies. Beijing will likely continue to support elimination because of its long-established trend against subsidies, its domestic actions removing them, and the negative effects other members' export subsidies have on Chinese markets.

3. Domestic Supports Governance

Domestic supports fall into a similar category with export subsidies. China continues to claim it has no price distorting supports, though Beijing has failed to support that claim with official spending notifications to the WTO. It calls to better govern the Green Box, further reduce the Blue Box and eliminate supports above Amber Box limits. Not all countries have access to the Blue Box and Beijing maintains that the Blue Box provides member nations additional unfair advantages. Domestic supports that distort the

price of a product need to be eliminated for these supports again grant artificial market access and competition on developing countries' markets. China and its trade allies highlight the huge agriculture budget differences between the developed and developing world and hold that even Green Box supports can have second and third order effects that distort agriculture trade. For that reason, China continues to advocate drastic reductions in developed nation farm supports and better governance to eliminate those Green Box supports that actually distort trade. China is unlikely to back away from this stance as it has gained considerable support with other developing country members.

4. China in the SCC

China's participation in the Sub-Committee on Cotton also reflected its larger market access and price distortion concerns. The cotton industry and linked textile industry employ more workers in China than all workers currently employed in the United States. The textile trade contributed directly to the trade surplus China has experienced. It is not surprising then that maintaining domestic production and access to fair priced cotton on the international market will remain a key Chinese interest. The SCC provided China an additional venue to present its stances in all trade pillars. China will not back away from whatever advantage it can gain in the cotton market. Too much is at stake for Chinese workers and Beijing's international market share in cotton and textiles.

5. Food Crisis 2008 and Beijing's Negotiations Evaluated

China maintained very specific stances over five years, through the failed negotiations in 2003 and 2006. It is no surprise that China maintained such stances in 2008 at Geneva. China had negotiated the twists and turns of the accession process to join the WTO through compromise. Now China belonged to the WTO and no longer had to continue to compromise its market stances. China could now focus on its own market interests. Hardened stances and a hesitance to compromise should not be seen as a retrenchment to protectionism.

China endured 17 years of accession talks; DDA is only in its eighth year. In 2003, strong developing nation organizations emerged from the ashes of the failed talks

in Cancun and began to influence the path negotiations would later take. In 2006, more nations saw the benefit of negotiating from a consolidated position. Since accession, China developed the confidence, expertise, and alliance structure to drive towards the most advantageous deal for its markets. What are the larger implications of the negotiations alliances?

C. ALLIANCE IMPLICATIONS

The G-20 emerged after the Cancun talks collapse in 2003, with China as a member. The G-20 first coordinated with the G-33 and then was invited to coordinate with a larger group of trade ministers in Hong Kong following the collapse of negotiations in 2006. Since then, both China and the G-20 have referred to coordination with other developing groups that encompass 85 WTO members. Over the past five years more and more representatives for the individual groups have spoken in favor of G-20 initiatives. China siding with India at Geneva in 2008 should not be surprising given the prior coordination that occurred between the two countries within the G-20. With more countries supporting G-20 positions, India and China could be working to create a consortium of developing nations to trade with outside the controls of the WTO. In March 2007, the G-20 mentioned the possibility of establishing bilateral relationships with the African Union in the field of cotton.¹⁶¹ Is this consortium a possibility?

To answer the question it is first worthy to note that GATT existed with limited changes for 48 years until the Marrakesh Agreement in 1994 formed the WTO. During this time the Soviet Union member states and China traded with members of GATT through bilateral trade agreements. Inside GATT and the WTO, various regional agreements exist that provide more favorable trade conditions than even the WTO offers. The formation of the European Union is probably the largest of these agreements; others include the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN). The WTO survives even as these other organizations offer better trade conditions than does the larger WTO. Since joining the WTO, China has maintained and also increased its bilateral trade agreements. During the Trade Policy

¹⁶¹ WTO, TN/AG/SCC/GEN/9, 3.

Review in 2008, Beijing stated it had “a total of 12 regional trade arrangements involving 29 countries and regions have been either signed by China or still in the process of negotiations.”¹⁶² It is entirely possible that China through the G-20 has entered into negotiations with other nations to meet the collective needs of developing country farmers. Negotiations stances, trade agreements, and trade numbers need to be further examined to determine the likelihood of such an agreement.

The implications of a new free trade agreement are immense. Developing member food exporters would gain additional market accesses. Tariff reductions could normalize the cost of food throughout the developing world while not having to deal with the barriers initiated by the developed members. These farmers would have to account for the existing tariffs placed by the WTO, making their subsidized crops still more expensive. Nations with a TRQ scheme in place could manage requests so that in-rate quotas are assigned to developing nations, leaving developed members with the higher out-tariff rates. Developed members would have to further subsidize and support their farmers in order for them to compete, which violates existing WTO agreements. The developed world would then either have to negotiate better market access in some sort of DDA II or abandon its attempts to access various developing world markets in primary commodities. High quality food exports and specialty crop trade would still continue, for it is in these areas the developed world maintains a distinct advantage. While this is a worse case scenario it does show that China has other options to develop its markets outside the WTO and further research is required to determine the financial effects such an alliance would have on United States farm markets.

The WTO forced China’s markets to open and promoted trade liberalization and market access. When a food crisis emerged, the PRC intervened to control prices and slow the adverse effects of global food price increases. As danger passed, the government loosened its controls. China will continue to liberalize at its own pace now that it has met almost all of its WTO commitments. Beijing will use market tools to

¹⁶² WTO, WT/TPR/G/199, 18-19.

expand market access wherever beneficial to its people. Many tools exist for Beijing to accomplish that and over the last five years Beijing has become more adept at using them.

In December 2008, President Hu Jintao told an international forum, "the experience in the past three decades tells us, the decision on adopting reform and opening-up has been in agreement with the people's thoughts, compatible with modern tides, and completely right."¹⁶³ The international open market is here to stay in China.

¹⁶³ Xinhua, "President Hu eulogizes three-decade reform," *Xinhua News Agency*, 18 December 2008. http://www.chinadaily.com.cn/bizchina/2008-12/18/content_7318966_3.htm (accessed March 2009).

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APPENDIX: NEGOTIATIONS GROUPS' MEMBERSHIP

A large number of trade groups exist within the international system and it is useful to list them along with their members; countries can belong to more than one group. In some groups, membership is self-selected based on which ministers attended various meetings on the side of more formal negotiations. Not all members belong to the World Trade Organization.¹⁶⁴

African, Caribbean and Pacific Group of States (ACP)

Angola, Antigua and Barbuda, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Cote d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Papua New Guinea, Rwanda, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Uganda, Zambia, Zimbabwe

African Group

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe

Caribbean Community and Common Market (CARICOM)

Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago, Suriname

¹⁶⁴ Participating countries can be found on the WTO website at: http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd04_groups_e.htm and www.wto.org/english/tratop_e/dda_e/meet08_brief08_e.doc (accessed February 2009).

Cotton-4

Benin, Burkina Faso, Chad, Mali

G-20

Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe

G-33

Antigua & Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad & Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe

G-90

Angola, Antigua-Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Cote d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, The Gambia, Togo, Trinidad & Tobago, Tunisia, Uganda, Zambia, Zimbabwe

Least Developed Countries (LDC)

Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Congo, Democratic Republic of the, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda, Zambia

Non-Agriculture Market Access—11 (NAMA-11)

Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia

Recently Acceded Members (RAM)

Albania, Armenia, Bulgaria, China, Croatia, Ecuador, FYR Macedonia, Jordan, Kyrgyz Rep., Moldova, Mongolia, Oman, Panama, Saudi Arabia, Chinese Taipei, Ukraine

Small and Vulnerable Economies (SVE)

Barbados, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Honduras, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay, and Trinidad and Tobago

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